



Chief Constable of West Midlands Police: Statement of Accounts

2015-16



STATEMENT OF ACCOUNTS 2015-16

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NARRATIVE STATEMENT

About The West Midlands and West Midlands Police

West Midlands Police is the second largest police force in the country after London's Metropolitan Police Service. It covers an area of 384 square miles and serves a population in the region of 3 million (over 1 million households). The region sits at the very heart of the country and covers the three major cities of Birmingham, Coventry and Wolverhampton. It also includes the busy and thriving districts of Dudley, Sandwell, Solihull and Walsall. The majority of the area is densely populated but there are some rural areas.

The region's economy has diversified from its historic heavy industry roots of the Industrial Revolution. With the decline in traditional manufacturing, both the public and private sectors have rejuvenated the area. Birmingham now has a commercial and shopping area which is among the largest in Europe. This is complemented by a wide range of social amenities such as the National Exhibition Centre, National Indoor Arena, International Convention Centre, theatres, galleries and many large conference facilities. The area boasts a thriving nightlife, centred around Birmingham City Centre. West Midlands hosts Premiership and Championship football clubs together with many others in the other leagues.

The region is well served by rail and road links. Road and rail travel is supplemented by significant air traffic through Birmingham International and Coventry airports. The area is proud of its academic institutions, being home to a number of universities located in Birmingham, Coventry, Walsall and Wolverhampton.

The population of the West Midlands is diverse. At approximately 18%, the percentage of the population that are black and minority ethnic is significantly above the national average. Approximately 10% of the population were born outside of the UK. The average earnings and house prices for the region are lower than the national average.

There are seven local authorities within the area, Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton, each with a Crime and Disorder Reduction Partnership/Community Safety Partnership. The area is also served by three Local Enterprise Partnerships (LEPs), Staffordshire and West Midlands Probation Trust and a number of NHS structures, adding complexity to the partnership landscape. West Midlands Police is one of the best performing metropolitan police forces in the country. Significant and sustained reductions across volume crime have been achieved. At the same time, through headquarter departments and formal collaborative arrangements with other forces and law enforcement agencies, resources and expertise have been focused on a range of inter and cross-force activities. Local policing is delivered through ten local policing units (LPUs). Other than Birmingham, which because of its size has four LPUs, the other six LPUs are coterminous with local authority boundaries. Each LPU is headed by a Chief Superintendent. The work of the local LPUs is supported by a number of specialist central and support departments.

West Midlands Police has a reputation for continuous improvement, innovation and empowering leadership with a talent to continuously evolve and meet changing needs. The Force aims to deliver policing that is accessible and responds to the needs of local people. Neighbourhood policing provides a named team of local officers who can influence the policing priorities within their neighbourhood. They work with colleagues and partner agencies to address the concerns of their communities.

Role of Chief Constable

The Chief Constable has overall responsibility for the direction and control of West Midlands Police Force. Chief constables and their officers must answer to the courts and the law for how police powers are used. They must also answer to the Police and Crime Commissioner in terms of delivering efficient and effective policing, and the way resources and spending are managed. Chief constables will deliver the strategy and aims set out in the PCC's police and crime plan, and they will help the PCC plan the force's budget and give them access to information, officers and staff whenever this is needed.



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

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

The Chief Constable has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*, a copy is on our website at www.west-midlands.police.uk or can be obtained by contacting us, details at www.west-midlands.police.uk/contact-us/index.aspx. This statement explains how the Chief Constable has complied with the code and also meets the requirements of Accounts and Audit Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The Chief Constable of the West Midlands is supported by a Deputy Chief Constable, four Assistant Chief Constables and a Director of Resources.

Information on West Midlands Police can be found at www.west-midlands.police.uk

The Statement of Accounts

This Statement of Accounts sets out the overall financial position of the Chief Constable of West Midlands Police (CCWMP). The accounts have been prepared following the International Financial Reporting Standards on which the accounts of the Chief Constable are required to be based.

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

The Statement of Accounts for the CCWMP consists of:

1. Chief Constable's Approval of the accounts

This includes the date and signature of the Chief Constable of West Midlands Police on the approval of the Statement of Accounts.

2. Annual Governance Statement

This statement describes how the Chief Constable of West Midlands Police conducts its business in accordance with proper standards. The Annual Governance Statement does not form part of the Statement of Accounts but is shown here for reporting purposes.

3. Statement of responsibilities for the Statement of Accounts

This details the financial responsibilities of the CCWMP and his Chief Finance Officer in relation to the Statement of Accounts

4. Auditors report

This is the External Auditors report and opinion on the accounts and their conclusion on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources.



5. The Statement of Accounts

This brings together the key financial statements of the Chief Constable of West Midlands Police. The financial statements consist of:

- **Movement in Reserves Statement for the Chief Constable of West Midlands Police** – This statement shows the movement in the year on the reserves held by the Chief Constable.
- **Comprehensive Income and Expenditure Statement for the Chief Constable of West Midlands Police** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. It summarises the resources that have been generated and consumed in providing policing services during the year. The statement has been prepared in accordance with the accounting principles set out in the CIPFA Accounting Code of Practice. The headings used are from CIPFA's Service Reporting Code of Practice (SeRCOP) and highlight the financial consequences of the different policing activities in the West Midlands in 2015-16 under the direction and control of the Chief Constable.
- **Balance Sheet as at 31 March 2016**

The Balance Sheet shows the value, as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The Chief Constable recognises the Pension Liabilities of all Police Officers and staff who are deemed to be under his direction and control excluding those staff working in the Office for the Police and Crime Commissioner. The statement also recognises the cost of short term accumulated absences for police officers and police staff. The statement shows a reserve to match these liabilities.

- **Cash Flow Statement as at 31 March 2016**

The Cash Flow statement aims to show the effect of the cash based transactions between the PCCWM and the CCWMP. This demonstrates the effect of the income received from the PCCWM to enable the CCWMP to deliver a policing service for the force area.

- **Police Pension Fund, Net Asset Statement and notes to the police pension fund scheme.**

The Police Pension Fund Account contains the contributions from the CCWMP at a rate of 21.3% of police officers' pay which are used to pay police pensions during the year. The deficit on this account is met by a top-up grant from the Home Office which is credited to the Chief Constables Comprehensive Income and Expenditure Statement.

CHIEF CONSTABLE REVENUE OUTTURN 2015-16

The revenue outturn for the Police Force as reported to the Force and the PCC, excluding the force change programme shows an underspend of £7.3m against the revised revenue budget of £513.6m. This is in line with outturn forecasts made during the financial year. The Group which comprises the Police and Crime Commissioner for the West Midlands and the Chief Constable of West Midlands Police had a total underspend (before carryforwards and contributions to and from reserves) of £14.7m against a revised revenue budget of £541.3m.

The revenue outturn is based on the budget which is produced in setting council tax, but the accounts are prepared on the basis of a set of statutory regulations which permit some transactions to be either



included or excluded so that they do not impact on the value of council tax that the Group is permitted to raise. Given the changes in Governance arrangements brought about by the creation of two separate entities of the PCCWM and the CCWMP the budget setting view focuses mainly on the group position. Variances in expenditure on the Chief Constable's accounts have been calculated from the group position.

Pay related expenditure

In total, pay related expenditure was underspent by £0.4m against the budget. There is an underspend of £2.2m on police staff pay as a result of applying an earmarked provision to fund the remaining equal pay claims, which had previously been reported as a potential cost in year. There is an overspend of £1.8m on other employee expenses which has arisen from redundancy costs as the force goes through the change programme and is offset by the associated savings made within police staff pay.

Transport related expenditure

Within transport related expenditure an underspend of £1.4m has arisen because the budget assumed fuel prices would increase during the year when in reality they have fallen significantly resulting in £1.1m of the underspend. The remaining underspend within the transport area was predominately from a reduction in the use of external vehicle hire and transport expenses across the Force being less than budget.

Premises related expenditure

Supplies and services budgets have underspent by £3.1m. This arises from a number of one off in year savings being achieved from changes in contracted suppliers and stock condition works (£0.7m), carbon credits which were paid in advance in 2014/15 (£0.4m), rates rebates and rent reviews (£0.5m), electricity savings from a change to the way electricity bills are determined (£0.4m), utility savings from mild weather (£0.3m) and a reduction in external consultant fees due to the Change Programme. The remaining savings are from reduced spending in year on improvements and alterations due to the change programme work being undertaken.

External Income

External income has been over achieved by £3.1m. This over achievement of External Income achieved has resulted from a number of sources including Speed Awareness, Prosecution Costs, Liquidated Damages and Legal Recharges. Some of these items are one off, whilst others are projected to exceed the current budget.

The table below shows the costs of the entity of the Chief Constable of West Midlands Police in 2015-16 with comparative costs for 2014-15. This represents the actual costs of running the police force in 2015-16 on the basis of the accounting policies that have been adopted and the costs which are attributable to the Chief Constable following the stage 2 transfer of resources which occurred on 1 April 2014. These costs are deemed to be all employee costs excluding those relating to the staff of the Office of the PCC, a portion of support costs which relate directly to pay and allowances for police officers and other costs directly attributable to the Chief Constable.

Employee costs have decreased in accounting terms by £14m in 2015-16 (decrease of £23.3m in 2014-15). This is due to a combination of a reduction in current service pension costs of £5.6m for police officers and police staff and a reduction in actual pay costs of £8.4m. This is due to a reduction in the numbers of police officers and staff between April 2015 and March 2016.



Supplies and Services costs have increased by £1.8m in 2015-16. (Increase of £7.7m in 2014-15) This is due to the costs of the professional services associated with the partnership with Accenture and a number of project related costs which are now in their implementation phase.

2014-15 £'000		2015-16 £'000
433,850	Financial Resources of the PCCWM consumed at the request of the Chief Constable	
	Police Pay and Allowances	397,011
122,773	Police Staff and PCSO Pay and Allowances	126,432
3,478	Other Employee Expenses	3,258
560,101	Sub Total Employee Costs	526,701
2,778	Premises Related Costs	3,139
2,179	Transport/Travel Costs	2,111
29,991	Supplies and Services	31,794
4,285	Agency Expenses	3,722
(58,307)	Income	(53,792)
586	Non distributed costs	1,127
541,613	Total Financial Resources of the PCCWM consumed at the request of the CCWMP	514,803
541,613	Net cost of Policing Services	514,803
200,664	Financing and Investment income and expenditure	154,686
(477,289)	PCC funding for financial resources consumed	(478,882)
264,988	Deficit on policing services	190,607

HOW WEST MIDLANDS POLICE HAS PERFORMED IN 2015-16

The table below shows some key crime statistics for West Midlands Police for the year ended 31 March 2016 compared to the same time in the previous year.

	2014-15	2015-16	% change
Total recorded Crime	176,339	185,396	5.2
Business Crime	38,444	38,103	(0.8)
Burglary	11,419	11,960	4.8
Robbery	4,833	4,911	0.6

Whilst total recorded crime is higher in 2015-16 than in the previous year, West Midlands Police has the lowest total recorded crime compared to other national police forces of a similar size and complexity.

In addition, there are some real areas of success within these overall numbers. Total crime on public transport was down by 6%. Passenger satisfaction was up from 78% in 2014 to 80% this year for bus passengers and from 76% in 2014 to 82% this year for train passengers.

Independent assessors ask a cross section of the communities of the West Midlands how they feel about their local police force. In the most recent survey 84% of people agree that they have confidence in the police in their area. This compares well with 82% of people having confidence in the police in their area in 2010 at the start of a period of austerity which has seen West Midlands Police lose over 20% of its budget and over 3,000 police officers and staff.



Performance rated by PEEL assessment

PEEL reports are annual assessments carried out by Her Majesty's Inspectorate of Constabulary (HMIC) into police forces in England and Wales examining their efficiency, effectiveness and legitimacy.

HMIC tested how efficient the force was at keeping people safe and reducing crime. HMIC have deemed the force to be good in this area. In terms of preventing crime the force operates effectively and standards of investigations are generally high (consistent with amounts spend on investigation and investigative support).

The force works well with partners to manage the most harmful offenders and staff are clearly committed to protecting vulnerable people. Improvements are needed in the forces understanding of the risks faced by vulnerable people, particularly missing children.

Force priorities demonstrate a strong commitment to reducing crime and anti-social behaviour and keeping people safe, with a shift of emphasis from a reactive style to more preventative policing. Overall the forces rating for efficiency was outstanding.

HMIC tested the legitimacy of the force at keeping people safe and reducing crime. It found that the force had articulated its values effectively and staff commented that an ethical culture was something they lived and breathed.

HMIC found that the force was taking positive steps to deal with complaints and mis-conduct matters for officers and staff were being dealt with fairly and consistently. HMIC found that there was a good understanding of the communities served, engagement was effective and staff at all levels of the organisation understand the importance of effective engagement in police legitimacy. Overall they stated that the people of the West Midlands can be reassured that the force understands the importance of treating people with fairness and respect and tailors its engagement to suit diverse communities. The rating that the force received for its legitimacy was good.

MATERIAL ASSETS ACQUIRED, LIABILITIES INCURRED AND FINANCING OF CAPITAL EXPENDITURE

The Chief Constable does not have ownership of any capital assets or liabilities and therefore has no capital expenditure.

The Chief Constable is charged for a portion of the revenue costs of buildings, transport and equipment where such expenditure is incurred in the CIPFA Service Reporting Code of Practice for police expenditure. However this excludes costs associated with support functions

PROVISIONS AND CONTINGENT LIABILITIES

The Chief Constable of West Midlands Police along with other Chief Constables and the Home Office, currently has 256 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.



PENSIONS

Pension liabilities in respect of Police Officers and police staff whose costs have been recognised in the Chief Constable's Comprehensive Income and Expenditure Statement have been recognised in the Balance Sheet of the Chief Constable. As at 31 March 2016 the Chief Constable recognised net pension liabilities of £5,968.1m. The pensions reserve is £5,973.6m. The difference between the pension reserve and liability is explained in an appendix to the accounts on page 60 of the accounts. Overall statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The actuarial gains on pension funds in 2015-16 totalled £1,151.1m and compared to actuarial losses of £700.9m in 2014-15. This has resulted in a reduction in the overall pension's liability. The actuarial gains in 2015-16 are due to an increase in the discount rate at which pensions are paid from 3.30% to 3.55% (for police pensions) and a reduction in short term salary increases from 4.2% to 1% per year – which decreases the liability for active members by around 10%. When compounded over the duration of a typical pension payment the effect of these changes is substantial. It should be noted however that actuarial gains and losses do change each year as can be seen from the defined benefit pension scheme notes starting on page 46 of the Statement of Accounts

CHANGES TO ACCOUNTING POLICIES

All accounting policies have been reviewed in compliance with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015-16

The Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code) and IAS 8 requires the PCCWM to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced in the 2016/17 Code that are relevant to the requirements are:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual improvements to IFRSs 2010-2012 Cycle which includes
 - IFRS 3 Business Combinations
 - IFRS 8 Operating Segments
 - IFRS 13 Fair Value Measurement (relating to short-term receivables and payables)
 - IAS 16 Property, Plant and Equipment
 - IAS 24 Related Party Disclosures, and;
 - IAS 38 Intangible Assets
- Amendments to IFRS 11 Joint Arrangements (accounting for acquisitions of interests in Joint Operations)
- Annual improvements to IFRSs (2012-2014 cycle) which includes:
 - IFRS 7: Financial Instruments disclosures relating to servicing contracts
- Changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

Changes to the format of the Pension Fund Account and the Net Assets Statement

These changes are detailed more comprehensively in note 1 of the accounts.



FUTURE OUTLOOK

Since 2010 the West Midlands faced a challenge of managing one of the largest reductions in Government funding for any Police area in the country and maintaining and improving the services needed by local people and businesses. The PCC and the Chief Constable are continuing on an ambitious and leading edge Transformation programme, in partnership with Accenture, which is planned to improve services within much reduced resource levels. The Comprehensive Spending Review in 2015 has resulted in police funding being essentially cash flat up until 2020 and is reliant on a council tax precept increase of £5 per annum on average. This will still require the PCC and the Chief Constable to achieve efficiencies to operate within the resources available.

By 2020, the Transformation programme aims to deliver:

- Increased citizen confidence, participation and satisfaction
- Improved productivity, efficiency, agility and service levels
- Reduced demand using opportunities to prevent crime
- Improved workforce experience
- Increase in professional standards
- Improvements in evidence handling
- A more mobile workforce able to respond at pace

The force is currently working on 5 main work streams and a series of stand-alone projects that will help shape the first 2 years of the change programme. These will lay the foundations for the future ensuring the force has the in house capabilities to turn it into a more digitally able and mobile force by 2020. Two examples of the programmes we are undertaking and how we want to engage more with the public and want to revolutionise our online channels to help the public are our active citizens' project and our mobility project.

Active Citizens:

Research shows that harnessing the power of our people can transform neighbourhoods and change lives. Active citizenship means getting people involved in their local communities at all levels from street, to ward to borough activity.

Part of this work includes:

- Using a system which allows us to send information to the public and for them to communicate directly with us.
- Developing online surveys where we can gather feedback from members of the public and victims to help improve our service
- Introducing a consistent approach to community funding initiatives



Digital Revolution:

We need to modernise how we engage with the public to match their expectations. Communities are becoming more diverse and more likely to want to contact us digitally so we must transform the way we listen and involve the public in policing.

This project will develop new ways to connect digitally through a variety of online channels. Information sharing leads to a better understanding about what is happening in local areas and how the public can prevent crime, so part of this project will look at how we can effectively signpost the public to the best service to meet their needs.

Our longer term ambition is to provide members of the public with a simple portal which will allow them to report crime online as well as using technology to support investigations.

FUTURE FUNDING LEVELS

The timescale for the introduction of a new police funding formula has not been set by Government. It is unclear whether any new formula will result in more or less resources for the West Midlands. This is therefore a risk to the future funding levels of the PCC and the Force. Any new funding formula will need to be considered carefully, including the impact on the medium term financial plan impact of other strategies such as the reserve strategy.

The medium term financial plan of the PCC and Force will include the latest assumptions around resource levels and include the financial commitments resulting from the Commissioner's Police and Crime Plan that is being launched in 2016.

Following the referendum decision announced on 24th June 2016 for Great Britain to leave the EU the PCC has determined that this may impact on our assumptions and estimates on issues such as prevailing interest rates and investment risks and returns. These issues will be considered by the PCC in future years when completing medium term financial planning.

EVENTS AFTER THE REPORTING PERIOD

On 26th April 2016 the jury in the Hillsborough inquiry found that the 96 victims of the Hillsborough disaster were unlawfully killed. A class action has been brought against both South Yorkshire and West Midlands Police by the families of the Hillsborough victims. At this stage West Midlands Police has not received any particulars of claim from the legal representatives of the victims' families. At present it is very difficult to estimate the financial impact that these claims will have until the particulars of claims have been received.

On 1 June 2016 the Senior Coroner for Birmingham and Solihull decided to resume the inquest into the Birmingham pub bombings. The inquest is expected to commence in the next accounting period and the costs of legal representation for the Force are expected to be around £1m although the scope of the inquest is yet to be determined.



West Midlands Police Annual Governance Statement

Position as at 31st March 2016 including plans for the financial year 2016/17

1. Scope of Responsibilities

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

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

The Chief Constable has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*, a copy is on our website at www.west-midlands.police.uk or can be obtained by contacting us, details at <http://www.west-midlands.police.uk/contact-us/index.aspx> This statement explains how the Chief Constable has complied with the code and also meets the requirements of Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Chief Constable's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The governance framework has been in place for the Chief Constable for the year ended 31st March 2016 and up to the date of approval of the annual report and statement of accounts.



3. The Governance Framework

The Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. The Chief Constable is held to account for the exercise of those functions and those of the persons under his direction and control, by the Police and Crime Commissioner (Commissioner).

It therefore follows that the Commissioner must satisfy himself that the Force has appropriate mechanisms in place for the maintenance of good governance. For these to operate in practice, the Commissioner and the Chief Constable, as separate corporations, each have separate but complementary governance structures. These facilitate the achievement of effective governance arrangements, including the monitoring and assessment of performance in line with statutory responsibilities.

The Chief Constable has adopted a number of systems and processes which together with the working relationships with the Commissioner comprise the Chief Constable's governance arrangements, the key elements of which are detailed below:

- The Chief Constable's Vision and Values have been reviewed and reset and the WMP2020 transformational programme incorporates key themes and foundations as to how the Force will deliver its objectives with communities and partners.
- The West Midlands Police and Crime Plan identifies and communicates plans and intended outcomes for citizens and service users.
- Measuring the quality of services for users, to ensure they are delivered in accordance with the Chief Constable's objectives and represent the best use of resources and value for money.
- Procedure rules, policies and internal management processes are established for Financial Management, Procurement, Health and Safety, Confidential Reporting ("Whistleblowing"), Complaints Handling, Anti-Fraud, Bribery and Corruption, Business Interests, Gifts and Hospitality and Information Security, Information Sharing and Data Protection.
- The Code of Ethics outlines principles and standards of behaviour that sets and defines exemplary standards expected of everyone who works in policing.
- The Standards of Professional Behaviour reflects the expectations that the police service and the public have of how police staff should behave.
- The Joint Scheme of Corporate Governance sets out in detail the respective roles and functions of the Commissioner and Chief Constable, outlining all significant decisions which are consented or delegated and which are of a statutory, financial or management nature.
- A Joint Audit Committee (with the OPCC) is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment, the independent scrutiny of the Chief Constable's and OPCC's financial performance to the extent that it affects the Chief Constable and OPCC's exposure to risk and weakens the control environment. The Joint Audit Committee has appointed an independent Chair, as identified by the Home Office's Code of Practice for Financial Management and CIPFA's Audit Committee – Practical Guidance for Local Authorities. An independent member has also been appointed to the Joint Audit Committee.
- The Force has an Organisational Risk Management Policy and Risk Register, prepared and reviewed by senior management. The Joint Audit Committee is responsible for independent assurance on the adequacy of the risk management framework.
- All major change and transformation programmes and projects have their own project boards which includes addressing risk management and mitigation.
- Ensuring the Chief Constable's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable (2012) and, where they do not, explain why and how they deliver the same impact.



- Ensuring the Chief Constable's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why they deliver the same impact.
- An External Audit function reports to "those charged with governance" in respect of the Annual Accounts.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Identifying the development needs of senior officers in relation to their strategic roles, supported by appropriate training.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Complying with requirements in relation to transparency and Freedom of Information.
- Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Chief Constable's overall governance arrangements.

4. Review of Effectiveness

The Chief Constable has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework. .

The review of effectiveness is informed by the work of the executive managers within West Midlands Police, who have responsibility for the development and maintenance of the governance environment, the Internal Audit Managers Annual report, and also by comments made by the External auditors and other review agencies and inspectorates.

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

- The Force

The Chief Constable operates a system of strongly controlled arrangements for the delivery of operational policing in its communities, together with management and monitoring arrangements for:

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

These functions are organised within clear reporting structures in the Force, designed to provide the Chief Constable and the Command Team with assurances as to the effective delivery of operational policing and the Commissioner's Policing and Crime plan.

The Chief Constable has continued with significant organisational changes during 2015/16 that have been necessary to release further savings required to meet the reduced funding allocations. Throughout these changes the framework of controls has been maintained and they will continue to be reviewed as part of the on-going change process of the force.

- The Joint Audit Committee

The Commissioner and Chief Constable have established a Joint Audit Committee to be responsible, on behalf of both Corporations Sole, to:

- Advise the Commissioner and the Chief Constable according to good governance principles;



- Provide independent assurance on the adequacy and effectiveness of the Commissioner's and Chief Constable's internal control environment and risk management framework;
 - Oversee the effectiveness of the framework in place for ensuring compliance with statutory requirements and in particular those in respect of health and safety and equalities and diversity;
 - Independently scrutinise financial and non-financial performance to the extent that it affects the Commissioner's and Chief Constable's exposure to risks and weakens the internal control environment;
 - Oversee the financial reporting process.
- Internal Audit

The system of Internal Audit is a primary tenet of corporate governance and is the responsibility of the Commissioner. The provision and maintenance of an effective shared Internal Audit service for the PCC and CC has been delegated to the PCC's Chief Finance Officer. The Audit Committee oversees the provision of this service, reviewing associated plans and work outputs. The standards of Internal Audit are assessed against Public Sector Internal Audit Standards and the results of this will be presented to the Joint Audit Committee in 2016/.

5. Significant Governance Issues

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

During 2015/16 the Commissioner has continued with the governance and scrutiny arrangements for holding the Chief Constable to account, implemented through the roles of Deputy PCC, Assistant PCC and the Strategic Policing and Crime Board. This arrangement will be kept under review to ensure it continues to provide effective scrutiny and challenge for the Force.

Following the PCC elections in May 2016 a new Strategic Police and Crime Board has been appointed. In the early part of the 2016/17 financial year new members to the Board will be inducted to ensure they can undertake their role effectively.

Work will also continue into 2016/17 to ensure the scheme of governance is effective. This will include making sure the scheme provides the required levels of transparency for both the Commissioner and the Chief Constable. This relates to the operational and financial control of the two corporations, the decision making processes and compliance with the necessary publication requirements of this governance structure to meet the provisions of the Statutory Information Order. In addition, the Chief Constable will undertake activities to deliver against the Police and Crime Plan.

During 2015/16 the Force has successfully met the challenges of:

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

During 2015/16 a new Chief Constable was appointed following the retirement of the previous Chief Constable. The new Chief Constable has launched his vision and values for the Force. In 2016/17 the Force



will continue to deliver against this vision and continue the implementation of the WMP2020 programme with Accenture the Innovation and Integration Partner (IIP) who was appointed in July 2014. The partnership will design and deliver a programme of change for the Force that will address financial and service delivery challenges over the medium term. This will be delivered through a revised Target Operating Model (TOM) that has been agreed with the Commissioner. As the change programme moves into the delivery stage the Board and the staff of OPCC will continue to participate in the project boards alongside senior managers within West Midlands Police to ensure projects are delivered as expected including timescales and benefits.

The operational governance of the Force will remain unchanged and exercised through the Command Team. Operating alongside this is the WMP2020 programme that has its own governance arrangements to enable the programme to be delivered effectively. This includes performance and financial monitoring covering the Force and the IIP. These governance structures will continue to operate during 2016/17.

The scale of change facing the Chief Constable remains extremely challenging, at a time when the demand and need for sustained and improved service to the public continues to increase and funding continues to reduce. This will require firm leadership, careful management, innovation and robust scrutiny. We will continue to monitor and update plans, policies and risk documentation as more information becomes available.

Signed

A handwritten signature in black ink, appearing to read 'Dave Thompson', written over a dotted horizontal line.

Dave Thompson
Chief Constable of West Midlands Police

A handwritten signature in black ink, appearing to read 'David Wilkin', written over a dotted horizontal line.

David Wilkin.
Director of Resources West Midlands Police



STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Force's transactions for the 2015-16 financial year and its position at the year end of 31 March 2016. The Chief Constable is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015. The regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 and the Service Reporting Code of Practice 2015-16 published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and supported by International Financial reporting Standards. Guidance notes issued by CIPFA on the application of accounting standards to local authorities have in general been followed, and any exceptions to this are disclosed below. The policies below reflect the powers and responsibilities of the Chief Constable of West Midlands Police as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012.

1. Operating Costs

Costs are recognised within the Chief Constable's accounts to reflect the resources consumed by activities under his direction and control. This has been completed on the basis of CIPFA's Service reporting Code of Practice (SeRCOP) Costs for Police services as indicated in the SeRCOP analysis sections 1-9 (for core police services) have been allocated to the Chief Constable. This recognises the costs of Police Officers and Police staff under the Chief Constable's direction and control. Supporting functions such as building utilisation have been linked to the assets themselves and remain under the direction of the PCC and hence are not charged to the Chief Constable. These support costs include buildings, ICT and vehicles, and other support functions which are not directly related to the objective analysis of policing costs.

All expenditure within the group accounts is paid for by the PCCWM as the Office for the Police and Crime Commissioner holds all the funds and controls the bank accounts for the Group. Hence an intra-group adjustment is made to account for the resources consumed by the Chief Constable so that the net cost of police services for the Chief Constable are transferred to the PCC/Group.

2. Treatment of Grants

The Chief Constable recognises specific revenue grants which relate to particular aspects of the Force's functions and have been shown as income in determining net expenditure. These include the Counter Terrorism Grant and other non-material Home Office grants. The Chief Constable also recognises the Police pensions top-up grant in financing and investment income in the Comprehensive Income and Expenditure account.

3. Employee Benefits

Benefits payable during employment

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

IAS 19 Employee Benefits requires the CCWMP to account for short term compensating absences which include time owing and annual leave accrued by accruing for the benefits which have accumulated but have not been taken by the Balance Sheet date. The amount will be recognised in the Comprehensive Income and Expenditure Statement in the period in which officers gain entitlement to the benefit. The cost of annual leave entitlement and time off in lieu earned but not taken at the end of the period is recognised in the financial



statements to the extent that employees are permitted to carry forward leave into the next period. The full cost of short term compensated absences will be recognised in the accounts of the Chief Constable as the vast majority of staffing costs are recognised in the Chief Constables accounts and any charge to the PCC would not be material.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Organisation to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the Comprehensive Income and Expenditure Statement when the Chief Constable can no longer withdraw the offer of those benefits and when the Chief Constable recognises costs for a restructuring within the scope of IAS 37 involving the payment of such benefits.

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, 2006 and 2015 Police Pensions Regulations are generally receivable into and payable out of the pensions fund and specific provision is made for officers' contributions and inward transfer values to be paid into the fund and for awards payable and outward transfer values to be paid out of the fund. Transfers into and out of the fund are recognised as income to (or expenditure from) the Police Pension fund account in the year in which the transfer occurs.

The Police Pension Scheme note includes a separate disclosure of the 1987 Police Pension Scheme liabilities, the 1987 Police Pension Scheme injury awards liabilities the 2006 Police Pension Scheme liabilities and the 2015 Police Pension Scheme liabilities. This disclosure reflects the material nature of all four schemes in operation. Scheme liabilities are shown on the Balance Sheet following the requirements of the code and IAS 19.

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

- a. The rate of contribution in 2014-15 was 11.4%.
- b. The liabilities of the scheme attributable to the Chief Constable are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- c. Liabilities are discounted to their value at current prices, using a discount rate of 6% (based on the indicative rate of return on AA rated corporate bonds of appropriate duration).
- d. The assets of the fund attributable to the Group are included in the Balance Sheet at their fair value:
 - i. Quoted securities – current bid price
 - ii. Unquoted securities – professional estimate
 - iii. Unitised securities – current bid price
 - iv. Property – market value
- e. The change in the net pensions liability is analysed into the following components:
 - i. *Current service cost* – the increase in liabilities as a result to years of service earned this year
 - ii. *Past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – this is debited to the surplus or



deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- iii. *Net Interest on the net defined benefit liability (asset)* – the net interest expenses for the organisation. This is debited to the financing and investing income and expenditure line in the Comprehensive Income and Expenditure Statement
- iv. *Gains or losses on settlements and curtailments* – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- v. *Remeasurements* – this comprises of (1) the return on plan assets excluding the amount included in net interest on the net defined benefit liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure and (2) actuarial gains and losses changes – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as other Comprehensive Income and Expenditure.
- vi. *Contributions paid to the pension fund* – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

The Chief Constable recognises pension costs for all police officers in these accounts. The Chief Constable also recognises the costs of police staff pensions to the extent that the staff are under his direction and control. The staff of the Office for Policing and Crime are not recognised by the Chief Constable as they are deemed to be under the direction and control of the Police and Crime Commissioner. All other staff are deemed to be under the direction and control of the Chief Constable.

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

4. Value Added Tax

The Chief Constable is not registered for VAT as an entity. The PCCWM submits a single VAT return to HM Revenue and Customs on behalf of the Group. Income and Expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

5. Events after the end of the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of the reporting period – these are known as adjusting events and the Statement of Accounts is adjusted to reflect these events
The Operating cost statement of the Chief Constable will reflect any adjustments where appropriate.



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

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

6. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the CCWMP transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the CCWMP
- Revenue from the provision of services is recognised when the CCWMP can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the CCWMP.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

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

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

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

Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparable amounts for the prior period.

8. Joint Operations

Joint operations are arrangements where the parties have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Group has 2 joint operations. These are the Regional Organised Crime Unit (ROCU) and the Central Motorway Police Group (CMPG). The activities undertaken by the Group in conjunction with other joint operators involve the use of the assets and resources of the joint operators. In relation to its interest in a joint operation, the group recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly



STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER TO THE CHIEF CONSTABLE

The Chief Finance Officer is responsible for the preparation of the Chief Constable of West Midlands Police Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to give a true and fair view of the financial position of the Force at the accounting date and its income and expenditure for the year ended 31 March 2016.

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

CHIEF FINANCE OFFICER TO THE CHIEF CONSTABLE OF WEST MIDLANDS POLICE CERTIFICATE

In accordance with regulation 9 of the Account and Audit Regulations 2015, I certify that the Statement of Accounts presents a true and fair view of the financial position of the Chief Constable of West Midlands Police as at 31 March 2016 and his income and expenditure for the year then ended.

A handwritten signature in black ink, appearing to read 'D Wilkin', written over a horizontal dotted line.

D Wilkin CPFA
Chief Finance Officer to the Chief Constable of West Midlands Police
Date: 29 September 2016



THE RESPONSIBILITIES OF THE CHIEF CONSTABLE OF WEST MIDLANDS POLICE

The Chief Constable of West Midlands Police is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this entity that officer is the Chief Constable's Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

CHIEF CONSTABLE OF WEST MIDLANDS POLICE CERTIFICATE

I certify that the Statement of Accounts presented to the Audit Committee, at a meeting on 15 September 2016 have been certified by the responsible financial officer and approved by the Chief Constable of West Midlands Police on 29 September 2016, in accordance with regulation 9 of the Accounts and Audit Regulations 2015.

A handwritten signature in black ink, appearing to read 'Dave Thompson'.

Dave Thompson
Chief Constable of West Midlands Police
Date: 29 September 2016



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

We have audited the financial statements of the Chief Constable of West Midlands Police (the "Chief Constable") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Chief Constable's Movement in Reserves Statement 2015/16, the Chief Constable's Comprehensive Income and Expenditure Statement 2015/16, the Chief Constable's Balance Sheet 2015/16, the Chief Constable's Cash Flow Statement 2015/16 for the Chief Constable, the Statement of Accounting Policies and the related notes and include the Police Pension Fund financial statements of West Midlands Police comprising the Police Pension Fund Account, the Net Assets Statement, the related notes 1 to 6 and the Appendix: Recognition of pensions' deficit payment impacting on the value of the pensions' reserve. 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 2015/16.

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Chief Constable's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Chief Constable as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters



In our opinion, the other information published together with the audited financial statements in the Narrative Statement and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Chief Constable under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Chief Constable's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Chief Constable and auditor

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Chief Constable's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Chief Constable put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Chief Constable has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Chief Constable has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.



Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Chief Constable for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Chief Constable's arrangements for securing value for money through economic, efficient and effective use of its resources.

Paul Grady

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

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

30 September 2016



CHIEF CONSTABLE'S MOVEMENT IN RESERVES STATEMENT 2015-16

This statement shows the movement in the 2014-15 and 2015-16 financial years on the different reserves held by the Chief Constable. This is analysed into usable reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. At present, the only transactions shown in this statement relate to the pensions reserve and the accumulated absences account reflecting movements relating to police officers and staff under the direction and control of the Chief Constable. All other reserves are managed by the PCC. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement.

	General Fund Balance	Pensions Reserve	Accumulated Absences Account	Total Reserves
	£'000	£'000	£'000	£'000
Balance as at 1 April 2014	0	5,962,568	3,149	5,965,717
Deficit on the provision of services on an accounting basis	264,988	0	0	264,957
Remeasurements of the net defined benefit liability	0	700,890	0	700,890
Total Comprehensive Income and Expenditure	264,988	700,890	0	965,847
Actual Amounts charged against the pensions fund for the year	79,316	(79,316)	0	0
Difference in pension costs between accounting basis and funding basis	(344,228)	344,228	0	0
Difference in employee remuneration costs (between accounting and funding basis)	(76)	0	76	0
Adjustments between accounting basis and funding basis under regulations	(264,988)	264,912	76	0
Net increase or (decrease)	0	965,802	76	965,878
Balance as at 31 March 2015	0	6,928,370	3,225	6,931,595
Balance as at 01 April 2015	0	6,928,370	3,225	6,931,595
Deficit on the provision of services on an accounting basis	190,607	0	0	190,607
Remeasurements of the net defined benefit liability	0	(1,150,863)	0	(1,150,863)
Total Comprehensive Income and Expenditure	190,607	(1,150,863)	0	(960,256)
Actual Amounts charged against the pensions fund for the year	96,954	(96,954)	0	0
Difference in pension costs between accounting basis and funding basis	(293,088)	293,088	0	0
Difference in employee remuneration costs (between accounting and funding basis)	(30)	0	30	0
Adjustments between accounting basis and funding basis under regulations	(196,163)	196,134	30	0
Net increase or (decrease)	(5,556)	(954,729)	30	(960,256)
Balance as at 31 March 2016	(5,556)	5,973,641	3,255	5,971,339



CHIEF CONSTABLE'S COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2015-16

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year.

2014-15 Gross Exp	2014-15 Gross Income	2014-15 Net Exp	Note	2015-16 Gross Exp	2015-16 Gross Income	2015-16 Net Exp
£'000 restated	£'000 restated	£'000 restated		£'000	£'000	£'000
236,098	(2,637)	233,461		224,049	(2,219)	221,830
44,547	0	44,547		40,865	0	40,865
34,940	(3,298)	31,641		35,202	(3,233)	31,969
20,223	(4,920)	15,303		18,227	(3,687)	14,540
31,851	(6,739)	25,112		31,500	(5,725)	25,775
39,645	(2,210)	37,435		38,159	(2,038)	36,121
132,798	(2,426)	130,372		122,285	(2,289)	119,996
12,771	0	12,771		12,724	0	12,724
44,502	(34,117)	10,385		42,581	(32,726)	9,856
597,373	(56,347)	541,026		565,593	(51,917)	513,676
1,960	(1,960)	0		1,875	(1,875)	0
586	0	586	15	1,127	0	1,127
599,920	(58,307)	541,613		568,595	(53,792)	514,803
	(477,289)	(477,289)			(478,882)	(478,882)
599,920	(535,596)	64,324		568,595	(532,674)	35,921
262,494	0	262,494	15	228,348	0	228,348
0	(61,830)	(61,830)		0	(73,662)	(73,662)
262,494	(61,830)	200,664	15	228,348	(73,662)	154,686
		264,988				190,607
		700,890				(1,150,863)
		700,890				(1,150,863)
		965,878				(960,256)

This Comprehensive Income and Expenditure Statement should be compared with the objective analysis within the PCC and Group accounts to compare the costs over which the Chief Constable has direction and control to the total costs of the PCC and the Group.

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



CHIEF CONSTABLE'S BALANCE SHEET 2015-16

The Balance Sheet for the Chief Constable of West Midlands Police shows the value as at 31 March 2016 (the Balance Sheet date) of the assets and liabilities recognised by the CCWMP. The assets and liabilities recognised relate to the Police Officers and Police Staff under the direction and control of the Chief Constable. The net liabilities of the CCWMP are met by the reserves held by the entity.

	As at 31 March 2015		As at 31 March 2016		Notes
	£'000	£'000	£'000	£'000	
Long Term Assets	0		0		
Total Long term Assets		<u>0</u>		<u>0</u>	
Current Assets	0		0		
Total Current Assets		<u>0</u>		<u>0</u>	
Current Liabilities					
Short Term Creditors	(3,225)		(3,255)		14
Total Current Liabilities		<u>(3,225)</u>		<u>(3,255)</u>	
Long term Liabilities					
Liability relating to defined benefit pension scheme	(6,928,370)		(5,968,085)		15
Total Long term Liabilities		<u>(6,928,370)</u>		<u>(5,968,085)</u>	
Net Assets/(Liabilities)		<u>(6,931,595)</u>		<u>(5,971,339)</u>	
Reserves					
Usable Reserves				<u>(5,556)</u>	
Unusable Reserves		<u>6,931,595</u>		<u>5,976,895</u>	15
Total reserves		<u>6,931,595</u>		<u>5,971,339</u>	

The unusable reserves consist of a reserve for short term compensated absences of £3.3m and pension reserves of 5,973.6m.

The usable reserve is a contribution towards the Pensions liability transferred from the PCC in 2015/16, but relating to 2016/17.



CHIEF CONSTABLE CASH FLOW STATEMENT 2015-16

The Cash Flow Statement shows the changes in cash and cash equivalents of the CCWMP during the reporting period. However, all the payments were made from the Police Fund which is held by the PCC. Similarly, all income and funding is received by the PCC so the Chief Constable does not have any real cash flows from operating activities.

As at 31 March 2015		Notes	As at 31 March 2016	
£'000	£'000		£'000	£'000
	264,988			208,647
(264,912)			(208,617)	
0			0	
(76)		14	(30)	
	0			0
	Net cash flows from operating activities			0
	0			0
	Cash and cash equivalents			0



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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code) and IAS 8 requires the PCCWM to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced in the 2016/17 Code that are relevant to the requirements are:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual improvements to IFRSs 2010-2012 Cycle (where relevant to the Chief Constable)
IAS 24 Related Party Disclosures
- Amendments to IFRS 11 Joint Arrangements (accounting for acquisitions of interests in Joint Operations)
- Changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Pension Fund Account and the Net Assets Statement

IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)

The amendment to IAS 19 clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to period of service. In addition, it permits that if the amount of the contributions is independent of the years of service, contributions can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. The standard will apply retrospectively from 01 April 2016 so there would be a requirement to produce prior year restatements if this alternative method was chosen.

IAS 24 Related Party Disclosures

This amendment clarifies that a management entity that supplies key management services to a reporting entity is deemed to be a related party of the reporting entity. Additional disclosures are required of the amounts incurred by the reporting entity for the provision of such services provided by a separate management entity. Any amendments to the accounts as a result of this amendment will be shown disclosed in the related party transactions note in the accounts.

IFRS 11 Joint Arrangements

Accounting for acquisitions of interests in joint operations (Amendments to IFRS 11) amends IFRS 11 such that the acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3 is required to apply the principles of business combinations accounting in IFRS 3 and other IFRSs with the exception of those principle which conflict with the guidance of IFRS 11. The



amendments apply to the acquisition of an interest in an existing joint operation and also to the acquisition of an interest in a joint operation on its formation.

This amendment applies prospectively from 1 April 2016. This amendment is not expected to result in any amendments to the Chief Constable's accounts as this entity does not have an interest in a joint operation in which the activity of the operation constitutes a business.

Amendments to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

The changes to the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of an Expenditure and Funding Analysis represent a substantial change in financial reporting.

This will require the Chief Constable to report on the same basis that they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement (CIES). As a result the CIES will show the gross expenditure, gross income and net expenditure of operations analysed by service. These services will not be presented in SeRCOP categories but on the basis of the organisational structure within which the Chief Constable operates.

This also introduces a new statement called the Expenditure and Funding Analysis which will provide a direct reconciliation between the way that the PCC budgets (and is funded) and the CIES in a way that is more accessible to users of the accounts. This will largely negate the amounts reported for resource allocation decisions note.

In 2016-17 the Expenditure and Funding Analysis, whilst being part of the primary statements will form part of the narrative report and full comparative information to 2015-16 will be provided. The changes to the Movement in Reserves Statement are less significant. The statement may be presented in a slightly simplified format with additional items shown in a further note to the accounts.

Changes to the format of the Pension Fund Account and the Net Assets Statement

The IFRS 13 scope exclusion for fair value investment disclosures for IAS 26 has been removed and IFRS 13 has been adapted in section 2.10 of the Code. Therefore IFRS 13 fair value measurements will apply to the investments of pension schemes. This is likely to bring about some additional disclosures in relation to the assets held by the Local Government Pension Scheme.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in pages 17 to 20 the CCWMP has had to make certain judgements about complex transactions involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- A fundamental judgement has been made in relation to the production of the Statement of Accounts for the Chief Constable, PCCWM and the Group. It has been determined that after the stage 2 transfer of resources which took place on 1 April 2014 the PCCWM continues to have effective control over the physical assets of the Group. All liabilities with the exception of pension liabilities and liabilities to pay accumulated compensated absences are also deemed to sit with the PCC. The income and expenditure of the Group have been split between the CCWMP and the PCCWM based on judgements about the nature of transactions, principally based on decisions about which entity has the ability to direct and control resources, the substance of transactions and in some cases their materiality. The



accounting policies of the Group and the Chief Constable reflect the judgements that have been made in determining the accounting treatment for these assets, liabilities, income and expenditure.

- A judgement has been made about the cost to include in the financial statements in relation to the Chief Constable and the impacts of this on the PCC and Group accounts. Following the stage 2 transfer of resources which was interpreted based on the Scheme of Consents and Delegation between the 2 corporation soles, the Chief Constable controls and directs police officers, PCSOs and the majority of police staff (excluding those staff directly employed by the PCC to manage his office), therefore all pay and pensions costs associated with these staff groups are presented in the Chief Constables accounts. The CFO's for the PCC and Chief Constable have determined that the non-pay costs within the support services element of the SERCOP analysis will form part of the cost of the PCC where these are attributable to the assets and liabilities of the PCC. As a result, the cost of running the Office for Policing and Crime and the non-pay costs of the SERCOP support functions and shown in the Comprehensive Income and Expenditure Statement of the PCC as these have been determined to be under his direction and control.
- Like all Authorities, the PCCWM is required to make additional payments for overtime and other allowances to be added to basic holiday pay when staff and officers are on leave. The PCC has been able to identify the expected liability relating to this matter for police officers and staff with some accuracy. It is now clear how and when this liability will be paid. The annual cost of this liability is expected to be between £1.1 and £1.5m each year and this has been built into the revenue budget for the force in 2016-17. The provision for £0.7m which was made in the 2014-15 accounts will be reversed in 2015-16 and the first payment which relates to the period from October 2015 to March 2016 will be paid in May 2016 and will be shown in the Chief Constables 2015-16 accounts as an accrued expense. Future payments are expected to be made in May each year and will be accrued expenses.

3. MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the CCWMP about the future, or that are otherwise uncertain. Estimates are made, taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Chief Constables Balance Sheet as at 31 March 2016 for which there are significant risks of material adjustment in the next financial year are detailed in the table below.

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex actuarial judgements related to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected rate of return on the assets invested in the pension scheme. The CC uses 2 firms of actuaries to provide expert advice about the assumptions to be applied to the Police Pension Schemes and the Local Government Pension Scheme.	The effect on the net pension liability of changes in individual assumptions can be measured but they interact in complex ways. The liability as at 31 March 2016 is £5,968.1m (£6,928.6m in 2014-15) so a small percentage change in the overall liability can have a material impact on the accounts



4. EVENTS AFTER THE BALANCE SHEET DATE

On 26th April 2016 the jury in the Hillsborough inquiry found that the 96 victims of the Hillsborough disaster were unlawfully killed. A class action has been brought against both South Yorkshire and West Midlands Police by the families of the Hillsborough victims. At this stage West Midlands Police has not received any particulars of claim from the legal representatives of the victims' families. At present it is very difficult to estimate the financial impact that these claims will have until the particulars of claims have been received.

On 1 June 2016 the Senior Coroner for Birmingham and Solihull decided to resume the inquest into the Birmingham pub bombings. The inquest is expected to commence in the next accounting period and the costs of legal representation for the Force are expected to be around £1m although the scope of the inquest is yet to be determined.



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

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

2014-15 £'000		2015-16 £'000
433,850	Financial Resources of the PCCWM consumed at the request of the Chief Constable	397,011
122,773	Police Pay and Allowances	126,432
3,478	Police Staff and PCSO Pay and Allowances	3,258
	Other Employee Expenses	
560,101	Sub Total Employee Costs	526,701
2,778	Premises Related Costs	3,139
2,179	Transport/Travel Costs	2,111
29,991	Supplies and Services	31,794
4,285	Agency Expenses	3,722
(58,307)	Income	(53,792)
586	Non distributed costs	1,127
541,613	Total Financial Resources of the PCCWM consumed at the request of the Chief Constable	514,803
(477,289)	PCC funding for financial resources consumed	(478,882)
64,324	Net Cost of Policing Services	35,921
200,664	Financing and investment income and expenditure	154,686
264,988	Deficit on the provision of services	190,607
700,890	Other Comprehensive Income and Expenditure	(1,150,863)
965,878	Net Comprehensive Income and Expenditure	(960,256)

The decrease in employee costs of £33.4m between 2014-15 and 2015-16 is due to a £5.6m decrease in current service costs of police and police staff pensions, an £18m reduction in cost as a result of a change in benefits paid in year and a £9.8m real decrease in costs due to reduction in the size of the workforce. The current service pension costs replace the actual cash costs of pensions paid by the Chief Constable in the Statement of Accounts. The additional costs within supplies and services reflects the cost of the work being carried out in conjunction with the forces IIP partner Accenture as several projects are now well into their implementation phase and additional resources are currently being used to support their successful implementation

6. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- No charges are made in relation to capital expenditure (depreciation, revaluation and impairment losses in excess of the balance in the Revaluation Reserve are charged to police services in the Comprehensive Income and Expenditure Statement).



- The cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service costs of benefits accrued in the year.

The following table shows the PCC's resources which have been consumed at the request of the Chief Constable for the principal portfolios as recorded in reports to the Command Team of the police force for the year 2015-16. The second table shows the reconciliation of these management accounts to the Comprehensive Income and Expenditure statement.

Analysis of operating segments for 2015-16 by portfolio holders:

Chief Constable – Service information for year ended 31 March 2016

	ACC crime portfolio	ACC local policing portfolio	ACC operations portfolio	ACC security portfolio	DCC portfolio	Director of Resources portfolio	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges and Other Income	(2,034)	(535)	(7,174)	(3,419)	(2)	(3,849)	(109,674)	(126,687)
Government Grant	(523)	0	(1,809)	(32,464)	0	0	0	(34,796)
Total Income	(2,557)	(535)	(8,983)	(35,883)	(2)	(3,849)	(109,674)	(161,483)
Employee Expenses	122,445	198,676	67,547	29,252	8,414	38,861	129,148	594,343
Other Operating Expenses	13,509	2,197	4,437	11,149	121	3,098	6,685	41,196
Total Operating Expenses	135,955	200,873	71,984	40,401	8,535	41,959	135,833	635,539
Contribution to/from reserves	0	0	0	(29)	0	0	0	(29)
Net Expenditure	133,398	200,338	63,001	4,489	8,533	38,110	26,159	474,028

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

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2015-16 £000
Cost of Services in Service Analysis (as above)	474,028
Add treated as PCC	0
Add services not included in main analysis	73,662
Add amounts not reported to management	138,001
Comprehensive Income and Expenditure Statement	(170,888)
Add corporate amounts	(996,177)
Less PCC funding for financial resources consumed	(478,882)
Total Comprehensive Income in the Comprehensive Income and Expenditure Statement	(960,256)



	Service Analysis £000	Treated as Corporate Amount £000	Treated as PCC £000	Not reported to mgt £000	Not Included in CIES £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees charges and other income	(126,688)	73,662	0	0	34,030	(18,996)	0	(18,996)
Top Up Grant	0	0	0	0	0	0	(73,662)	(73,662)
Government Grants and Contributions	(34,795)	0	0	0	0	(34,795)	0	(34,795)
Total Income	(161,483)	73,662	0	0	34,030	(53,791)	(73,662)	(127,453)
Employee Expenses	594,344	0	0	138,430	(204,946)	527,828	0	527,828
Other Operating Expenses	41,196	0	0	(429)	0	40,767	0	40,767
Pension and Interest Costs	0	0	0	0	0	0	228,348	228,348
Total Operating Expenses	635,540	0	0	138,001	(204,946)	568,594	228,348	796,942
Contribution to/from reserves	(29)	0	0	0	29	0	0	0
Net Operating Expenditure	474,028	73,662	0	138,001	(170,888)	514,803	154,686	669,489
(Surplus)/Deficit for the year	474,028	73,662	0	138,001	(170,888)	514,803	154,686	669,489
Actuarial (gains)/losses on pension fund assets and liabilities	0	0	0	0	0	0	(1,150,863)	(1,150,863)
PCC funding for Financial Resources Consumed	0	0	0	0	0	0	(478,882)	(478,882)
Total Comprehensive Income and Expenditure	474,028	73,662	0	138,001	(170,888)	514,803	(1,475,059)	(960,256)

Chief Constable – Service information for year ended 31 March 2015

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



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

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



7. EMPLOYEE REMUNERATION

The following table shows the remuneration of employees under the direction and control of the Chief Constable of West Midlands Police whose remuneration is more than £50,000 per year. The values in this table exclude the staff of the Office for the Police and Crime Commissioner.

2014-15 Police officers	2014-15 Police staff	2014-15 Total	Earnings Band	2015-16 Police Officers	2015-16 Police Staff	2015-16 Total
6,609	3,867	10,476	Less than £49,999	6,370	3,690	10,060
286	24	310	£50,000 - £54,999	274	27	301
164	9	173	£55,000 - £59,999	177	5	182
26	7	33	£60,000 - £64,999	37	8	45
20	2	22	£65,000 - £69,999	24	6	30
4	3	7	£70,000 - £74,999	5	2	7
11	1	12	£75,000 - £79,999	8	0	8
11	2	13	£80,000 - £84,999	8	4	12
2	2	4	£85,000 - £89,999	12	3	15
1	0	1	£90,000 - £94,999	0	0	0
2	0	2	£95,000 - £99,999	0	0	0
0	0	0	£100,000 - £104,999	1	0	1
0	0	0	£105,000 - £109,999	0	0	0
1	1	2	£110,000 - £114,999	1	0	1
1	0	1	£115,000 - £119,999	1	1	2
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
1	0	1	£140,000 - £144,999	0	0	0
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	1	0	1
0	0	0	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	1	0	1
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
0	0	0	£185,000 - £189,999	0	0	0
0	0	0	£190,000 - £194,999	0	0	0
1	0	1	£195,000 - £199,999	0	0	0
7,140	3,918	11,058	Totals	6,920	3,746	10,666



8. SENIOR OFFICERS REMUNERATION

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

Senior Officers' remuneration in 2015-16

Post holder information	Note	Salary (inc fees and allowances) (£000)	Benefit in Kind (£000)	Total remuneration (Exc employer pension contributions) (£000)	Employers pension contributions (£000)	Total Remuneration (Inc. employers pension contributions) (£000)
Chief Constable C Sims	1	165.5	3.1	168.6	0	168.6
Chief Constable D Thompson	2	34.4	1.4	35.8	7.2	43.0
Deputy Chief Constable (1)		121.4	4.6	126.0	25.4	151.4
Deputy Chief Constable (2)	3	24.6	1.0	25.6	5.1	30.7
Assistant Chief Constable (1)		113.4	5.7	119.1	23.1	142.2
Assistant Chief Constable (2)	4	82.3	3.0	85.3	20.1	105.4
Assistant Chief Constable (3)		119.8	4.6	124.4	23.6	148.0
Assistant Chief Constable (4)		105.1	4.7	109.8	21.6	131.4
Assistant Chief Constable (5)	5	17.1	1.0	18.1	3.6	21.7
Director of Resources		119.7	8.3	128.0	13.5	141.5
		903.3	37.4	940.7	143.2	1,083.9

Notes:

1. Chief Constable Sims retired from the force on 11 January 2016 His annualised salary (including fees and allowances is £195,000
2. Chief Constable Thompson was recruited to this post on 11 January 2016. Prior to this he was the Deputy Chief Constable. The post holders annualised salary (including fees and allowances is £190,000
3. The Deputy Chief Constable commenced their role on 1 February 2016. The post holders annualised salary (including fees and allowances is £147,500
4. This Assistant Chief Constable commenced their role on 1 June 2015. The post holders annualised salary (including fees and allowances is £105,300
5. This Assistant Chief Constable left the force on 31 May 2015. This post holders annualised salary (including fees and allowances is £102,500



Senior Officers' remuneration 2014-15

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

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

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

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

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



9. TERMINATION BENEFITS

The 2015-16 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	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15 £'000	2015-16 £'000
£0 - £19,999	0	0	59	59	59	59	548	504
£20,000 - £39,999	0	0	17	12	17	12	490	409
£40,000 - £59,999	0	0	8	5	8	5	405	227
£60,000 - £79,999	0	0	4	1	4	1	288	79
£80,000 - £99,999	0	0	0	4	0	4	0	347
£100,000 +	0	0	2	1	2	1	251	153
Total	0	0	90	82	90	82	1,982	1,719

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 2016 but who have not left the organisation at the Balance Sheet date.

The termination benefits note in the group accounts shows the addition of 6 staff with termination benefits totalling £564,000 who left the Office for the Police and Crime Commissioner in 2015-16.

10. EXTERNAL AUDIT COSTS

In 2015-16 the Chief Constable incurred the following fees relating to external audit:

	2014-15 £'000	2015-16 £'000
Fees payable to Grant Thornton UK LLP with regard to audit services carried out by the appointed auditor	30	23
Fees payable in respect of other services provided by the appointed auditor	0	0
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	(3)	0

The appointed auditor in 2015-16 was Grant Thornton UK LLP. The audit fee for the Chief Constable's accounts for the year was £22,500. In addition Grant Thornton provided tax advice to the group at a charge of £1,500 in 2015/16.



11. GRANT INCOME

The Chief Constable credited the following grants to the Comprehensive Income and Expenditure Statement in 2015-16.

	2014-15	2015-16
	£'000	£'000
<i>Credited to Taxation and Non Specific Grant Income</i>		
Pensions top up grant receivable	61,830	73,662
Total	61,830	73,662
<i>Credited to Police Services</i>		
Community Support Officer Grant	0	0
Counter Terrorism Grant	30,434	31,170
Other Grants	5,600	3,907

12. RELATED PARTY TRANSACTIONS

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

Central Government

The UK Government exerts significant influence over the operations of the Chief Constable – it is responsible for providing the statutory operating framework and provides the majority of funding in the form of grants which are paid to the PCCWM. It also prescribes the terms of many of the transactions that the PCCWM Group has with other parties. The grants received from Central Government to the PCCWM are set out in the PCCWM and Group Statement of Accounts.

Pension schemes

The Local Government Pension Scheme is administered by Wolverhampton City Council and payments of £27.72m were made to them in 2015-16 (£21.70m in 2014-15)

Officers

One Police Force Chief Officer has declared that they took on a trustee position with the PCC's 'Building Blocks' charity and approved annual accounts for filing with the charities commission. No transactions took place in this period. No other Chief Officers of the Force have declared any related party transactions in 2015-16.



13. AGENCY EXPENDITURE

	31 March 2015 £'000	31 March 2016 £'000
Levies	0	0
Government Departments	1,836	1,319
Health Authorities	0	25
Other Local Authorities	182	194
All other bodies	2,078	2,129
Total agency expenditure	4,096	3,667

Agency expenditure has been presented differently in the accounts for 2015-16 to align the organisational types with other debtors and creditors. The 2014-15 values for the Chief Constable have been re-stated as a result of this.

Agency expenditure is included within the net cost of policing services in the Chief Constable's accounts.



NOTES TO THE CHIEF CONSTABLE'S BALANCE SHEET

14. UNUSABLE RESERVES

The Chief Constable recognises two unusable reserves in his Balance Sheet. These relate to Police and Police staff pensions and accumulated compensated absences.

Pensions Reserve

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

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

	31 March 2015 £'000	31 March 2016 £'000
Balance at 1 April	5,962,568	6,928,370
Remeasurements of the net defined benefit liability or asset	700,890	(1,150,863)
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	344,228	293,088
Employers' pensions contributions and direct payments to pensioners payable in the year	(79,316)	(96,954)
Balance as at 31 March	6,928,370	5,973,641

Accumulating Compensated Absences Adjustment Account

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

	2014-15 £'000	2015-16 £'000
Balance at 1 April	3,149	3,225
Settlement or cancellation of accrual made at the end of the previous year	0	0
Amounts accrued at the end of the current year	3,149	3,225
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	76	30
Balance at 31 March	3,225	3,255



15. DEFINED BENEFIT PENSION SCHEMES

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

The Group participates in two post-employment schemes:

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

Police pensions operate under three schemes: The 1987 scheme which no new members can now join, the 2006 Police pension scheme which all officers joining a pension scheme since 1 April 2006 became a member of and the 2015 pension scheme which all new officers join and many officers from the 2006 scheme have transferred into. In addition the disclosures which follow also show the costs of police injury awards separately as the costs of injury pensions are material in their own right. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than the amounts payable, the Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by Central Government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Group which then must repay the amount to Central Government.

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

The tables which follow show pension transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year. The Chief Constable is responsible for the pension payments for all Police Officers and Police staff with the exception of the staff of the Office for Policing and Crime. The statements which follow show transactions for the Chief Constable and the Group separately because the assets and liabilities in the Local Government pension Scheme are now disclosed separately by the group's actuary.

The following tables show how the transactions have been recognised in the Comprehensive Income and Expenditure Statement, Movement in Reserves and Balance Sheet during the year.



Comprehensive Income and Expenditure Statement

2015-2016	Local Government Pension Scheme CC element	Local Government Pension Scheme PCC element	1987 Police Pension Scheme	Police Injury Awards	2006 Police Pension Scheme	2015 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net cost of services:							
Current service cost	(22,504)	(231)	(61,450)	(6,950)	(2,160)	(44,210)	(137,505)
Past service (cost)/ gain	0	0	0	0	0	0	0
Curtailments	(1,127)	(393)	0	0	0	0	(1,520)
Financing and Investing Income & Expenditure:							
Net Interest cost	(8,066)	(69)	(206,150)	(4,260)	(8,660)	(1,010)	(228,215)
Administration cost	(202)	(1)	0	0	0	0	(203)
Total post-employment benefits charged to the surplus or deficit on the provision of Services	(31,899)	(694)	(267,600)	(11,210)	(10,820)	(45,220)	(367,443)
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0
Re-measurement of the net defined benefit liability/asset comprising:							
Return on plan assets (excluding the amount included in the net interest cost)	(14,275)	(102)	0	0	0	0	(14,377)
Actuarial gains and losses arising on changes in demographic assumptions	0	0	92,790	1,380	3,350	910	98,430
Actuarial gains and losses arising on changes in financial assumptions	46,506	362	550,360	14,490	47,310	5,360	664,388
Experience gains and losses arising on the pension liabilities	0	0	388,202	(2,980)	18,190	(730)	402,682
Net charge to I and E account	332	(434)	763,752	1,680	58,030	(39,680)	783,680



2014-2015	Local Government Pension Scheme CC element	Local Government Pension Scheme PCC element	1987 Police Pension Scheme	Police Injury Awards	2006 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Net cost of services:</u>						
Current service cost	(15,056)	(151)	(103,130)	(4,270)	(20,490)	(143,097)
Past service (cost)/ gain	(15)	0	0	0	0	(15)
Curtailments	(571)	0	0	0	0	(571)
<u>Financing and Investing Income & Expenditure:</u>						
Net Interest cost	(6,684)	(62)	(238,130)	(8,300)	(9,120)	(262,296)
Administration cost	(260)	(2)	0	0	0	(262)
Total post employment benefits charged to the surplus or deficit on the provision of Services	(22,586)	(215)	(341,260)	(12,570)	(29,610)	(406,241)
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Re-measurement of the net defined benefit liability/asset comprising:						
Return on plan assets (excluding the amount included in the net interest cost)	43,627	314	0	0	0	43,941
Actuarial gains and losses arising on changes in demographic assumptions	0	0	211,190	(23,110)	21,460	209,540
Actuarial gains and losses arising on changes in financial assumptions	(128,557)	(884)	(983,080)	89,650	(59,140)	(1,082,011)
Experience gains and losses arising on the pension liabilities	0	0	116,670	4,360	6,040	127,070
Net charge to I and E account	(107,516)	(785)	(996,480)	58,330	(61,250)	(1,107,701)



Movement in Reserves Statement

2015-2016	Local Government Pension Scheme CC element £'000	Local Government Pension Scheme PCC Element £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS 19	31,899	694	267,600	11,210	10,820	45,220	367,443
Actual amount charged against the General Fund balance for pensions in the year:							
Employer's contributions payable to the scheme	(21,961)	(400)	0	0	0	0	(22,361)
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(153,170)	(2,450)	370	17,780	(137,470)

2014-2015	Local Government Pension Scheme CC element £'000	Local Government Pension Scheme PCC Element £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS 19	22,586	215	341,260	12,570	29,610	406,241
Actual amount charged against the General Fund balance for pensions in the year:						
Employer's contributions payable to the scheme	(15,794)	(144)	0	0	0	(15,938)
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(128,400)	(2,330)	5,050	(125,680)

In the above table the reversal of net charges for retirement benefits in accordance with International Financial Accounting Standards includes the pension top up grant payable to the Chief Constable from the Home Office. This grant is excluded in the Movement in Reserves Statement on page 26 which shows the adjustments within the pensions reserve affecting the overall movement in reserves.



Assets and Liabilities in relation to Post-employment benefits

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

2015-2016	Funded liabilities: LGPS CC element £'000	Funded liabilities: LGPS PCC element £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(710,483)	(5,867)	(5,357,800)	(122,840)	(203,890)	(57,480)	(6,458,360)
Fair value of plan assets	485,205	3,729	0	0	0	0	488,934
Sub-total	(225,278)	(2,138)	(5,357,800)	(122,840)	(203,890)	(57,480)	(5,969,426)
Other movements in the liability	0	0	(797)	0	0	0	(797)
Net liability arising from the defined benefit obligation	(225,278)	(2,138)	(5,358,597)	(122,840)	(203,890)	(57,480)	(5,970,223)

The liability attributable to the Chief Constable excludes the LGPS PCC element and is therefore £5,968.1bn.

2014-2015	Funded liabilities: LGPS CC element £'000	Funded liabilities: LGPS PCC element £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(719,224)	(5,382)	(6,292,860)	(126,970)	(260,970)	(7,405,406)
Fair value of plan assets	471,653	3,278	0	0	0	474,931
Sub-total	(247,571)	(2,104)	(6,292,860)	(126,970)	(260,970)	(6,930,475)
Other movements in the liability	0	0	0	0	0	0
Net liability arising from the defined benefit obligation	(247,571)	(2,104)	(6,292,860)	(126,970)	(260,970)	(6,930,475)



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

2015-2016	Funded liabilities: Local Govt Pension Scheme (CC element) £'000	Funded liabilities: Local Govt Pension Scheme (PCC element) £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
1 April -15	(719,224)	(5,382)	(6,292,860)	(126,970)	(260,970)	0	(7,405,406)
Current service cost	(22,504)	(231)	(61,450)	(6,950)	(2,160)	(44,210)	(137,505)
Interest cost	(24,301)	(184)	(206,150)	(4,260)	(8,660)	(1,010)	(244,565)
Contributions by scheme participants	(5,761)	(68)	(13,970)	0	(550)	(18,210)	(38,559)
Transfers into the scheme	0	0	(700)	0	(580)	(20)	(1,300)
Re-measurement of the defined benefit obligation	46,506	362	1,050,190	12,890	68,850	5,540	1,184,338
Benefits paid	15,928	29	167,140	2,450	180	430	186,157
Curtailments	(1,127)	(393)	0	0	0	0	(1,520)
Past service costs	0	0	0	0	0	0	0
Other movements in the liability	0	0	(797)	0	0	0	(797)
31 March-16	(710,483)	(5,867)	(5,358,597)	(122,840)	(203,890)	(57,480)	(6,459,157)

2014-2015	Funded liabilities: Local Govt Pension Scheme (CC element) £'000	Funded liabilities: Local Govt Pension Scheme (PCC element) £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
1 April -14	(556,976)	(4,495)	(5,424,560)	(187,630)	(194,530)	(6,368,190)
Current service cost	(15,056)	(151)	(103,130)	(4,270)	(20,490)	(143,097)
Interest cost	(25,451)	(198)	(238,130)	(8,300)	(9,120)	(281,169)
Contributions by scheme participants	(5692)	(68)	(28,490)	0	(5,390)	(39,640)
Transfers into the scheme	0	0	(220)	0	(140)	(360)
Re-measurement of the defined benefit obligation	(128,557)	(884)	(655,220)	70,900	(31,640)	(745,401)
Benefits paid	13,094	414	156,890	2,330	340	172,898
Curtailments	(571)	0	0	0	0	(571)
Past service costs	(15)	0	0	0	0	(15)
31 March-15	(719,224)	(5,382)	(6,292,860)	(126,970)	(260,970)	(7,405,406)



Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme CC Element £'000	
	2014-15	2015-16
1 April	401,127	471,653
Interest on plan assets	18,767	16,235
Return on plan assets excluding the amount included in the net interest expense	43,627	(14,275)
Employer contributions	15,794	21,961
Member contributions	5,692	5,761
Benefits paid	(13,094)	(15,928)
Administration expenses	(260)	(202)
31 March	471,653	485,205

History of the Scheme

	2015-16	2014-15	2013-14	2012-13	2011-12
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:					
Local Government Pension Scheme CC element	(710,483)	(719,224)	(556,975)	(570,623)	(476,067)
Local Government Pension Scheme PCC element	(5,867)	(5,382)	(4,495)	0	0
1987 Police Pension Scheme	(5,358,597)	(6,292,860)	(5,424,560)	(5,473,010)	(4,556,570)
Police Injury award Pensions	(122,840)	(126,970)	(187,630)	(210,810)	(180,210)
2006 Police Pension Scheme	(203,890)	(260,970)	(194,530)	(185,220)	(118,270)
2015 Police Pension Scheme	(57,480)	0	0	0	0
Fair value of assets in the Local Government Pension Scheme CC element	485,205	471,653	401,127	378,872	331,620
Fair value of assets in the Local Government Pension Scheme PCC element	3,729	3,278	3,032	0	0
Subtotal	(5,970,223)	(6,930,475)	(5,964,031)	(6,060,791)	(4,999,497)
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme CC element	(225,278)	(247,571)	(155,848)	(191,751)	(144,447)
Local Government Pension Scheme PCC element	(2,138)	(2,104)	(1,463)	0	0
1987 Police Pension Scheme	(5,358,597)	(6,292,860)	(5,424,560)	(5,473,010)	(4,556,570)
Police Injury award Pensions	(122,840)	(126,970)	(187,630)	(210,810)	(180,210)
2006 Police Pension Scheme	(203,890)	(260,970)	(194,530)	(185,220)	(118,270)
2015 Police Pension Scheme	(57,480)	0	0	0	0
Total	(5,970,223)	(6,930,475)	(5,964,031)	(6,060,791)	(4,999,497)



The above table presents the liabilities of the Local Government and Police Pension Schemes with the elements relating to the Police and Crime Commissioner shown separately. The total value of the liability for the pension schemes disclosed in the Chief Constables Balance Sheet excludes the PCC element of the Local Government Pension Scheme and is thus £5,968m.

The liabilities show the underlying commitments that the CCWMP has in the long run to pay post-employment (retirement) benefits. The total liability of £5,968m within the Chief Constable's Balance Sheet has a substantial impact on the net worth of the Group recorded in the Group Balance Sheet, resulting in a negative overall balance of £5,709m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy:

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme liabilities have been assessed by the Government Actuary's Department and the Police Staff liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries.

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

The principal assumptions in the calculations made are:-

	Chief Constable Portion of Local Government Pension Scheme		Police Pension Scheme	
	£'000		£'000	
	2014-15	2015-16	2014-15	2015-16
	Years	Years	Years	Years
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	23.0	23.0	23.3	23.1
Women	25.6	25.7	25.7	25.1
Longevity at 65 for future pensioners:				
Men	25.2	25.3	25.4	25.1
Women	28.0	28.0	27.9	27.2
	%	%	%	%
Rate of CPI inflation	2.10	2.20	2.20	2.20
Rate of increase in salaries	3.85	3.95	4.20	4.50
Rate of increase in pensions	2.10	2.20	2.20	2.50
Rate for discounting scheme liabilities	3.40	3.80	3.30	4.40
Proportion of employees opting to take a commuted lump sum	50	50	n/a*	n/a*

*Information regarding the proportion of police officers opting to take a commuted lump sum is not provided by the actuary.



The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the above table. The sensitivity analyses below have been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while other assumptions remain constant. It is noted that some assumptions are interrelated.

The estimations in this analysis are completed on an actuarial basis using the projected unit credit method.

Local Government Pension Scheme Chief Constable	Sensitivity analysis	Impact on the defined benefit obligation in the scheme		
		£000's	£000	£000
Adjustment to the discount rate	Present value of total obligation	+0.1%	0%	-0.1%
	Projected service cost	695,590	710,483	725,710
Adjustment to 1% p.a. short term salary increase	Present value of total obligation		No change	Further 4 years
	Projected service cost	20,387	20,823	21,269
Adjustments to pension increases and deferred valuations	Present value of total obligation		710,483	681,347
	Projected service cost		20,823	20,525
Adjustment to life expectancy assumptions	Present value of total obligation	+0.1%	0%	-0.1%
	Projected service cost	724,127	710,483	697,144
Adjustment to life expectancy assumptions	Present value of total obligation	+ 1 year	No change	- 1 year
	Projected service cost	21,266	20,823	20,389
Adjustment to life expectancy assumptions	Present value of total obligation	731,830	710,483	697,144
	Projected service cost	21,354	20,823	20,305

Police Pension Scheme	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£000's	£000's
Longevity (increase or decrease of 1 year)	128,600	128,600
Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%)	490,100	(490,100)
Rate of increase in salaries (increase or decrease by 0.5%)	76,500	(76,500)
Rate of discounting scheme liability (increase or decrease by 0.5%)	(643,100)	643,100

The police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund relating to the Chief Constable are valued at fair value, (the bid price of investments held), totalling £485.2m for the fund as a whole at 31 March 2016 (£471.7m at 31 March 2015). The Fund assets consist of the following categories by proportion of the total assets of the Fund:



Asset category	Sub category	Quoted Y or N	Fair value of assets held	
			31 March 2015 £'000	31 March 2016 £'000
Cash and cash equivalents	Cash instruments and accounts	Y	19,291	0
	Cash instruments and accounts	N	0	21,995
Total Cash			19,291	21,995
Equity Instruments	UK quoted	Y	44,996	56,769
	UK unquoted	N	7,877	2,911
	Overseas quoted	Y	176,681	174,993
	Overseas unquoted	N	49,052	56,769
Total equity			278,606	291,442
Bonds	UK Government fixed	Y	6,556	0
	UK Government fixed	N	0	6,793
	UK Government indexed	Y	30,563	0
	UK Government indexed	N	0	30,813
	UK Other	Y	22,970	11,545
	UK Other	N	0	10,575
	Overseas other	Y	12,263	0
	Overseas other	N	0	3,881
	Other	Y	14,951	0
Total Bonds			87,303	63,607
Property	UK and Property Funds	Y	41,175	39,711
Total property			41,175	39,711
Alternatives	Commodities	Y	0	0
	Infrastructure	Y	16,036	970
	Infrastructure	N	0	16,497
	Absolute Return	Y	29,242	0
	Absolute Return	N	0	26,237
	Other fixed interest	Y	0	13,586
	Other fixed interest	N	0	11,160
Total Alternatives			45,278	68,450
Total Assets held			471,653	485,205

16. 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.

	2014-15 Capitalised Value £'000	2015-16 Actual Payments £'000	2015-16 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	2,026	120	2,157
	2,026	120	2,157



17. CONTINGENT LIABILITIES AND ASSETS

The Chief Constable of West Midlands Police, along with other Chief Constables and the Home Office, currently has 256 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

18. JOINTLY CONTROLLED OPERATIONS

(a) CENTRAL MOTORWAY POLICE GROUP

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

The assets of the unit in respect of police vehicles, equipment and land and buildings are held individually by each police PCC and are shown on each PCC's Balance Sheet.

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

The revenue account for the Unit covers all operating costs. The details for 2015-16 are as follows:

2014-15 £'000		2015-16 £'000
	Funding provided to the pooled budget	
(3,953)	Contribution from West Midlands Police	(3,987)
(1,971)	Contribution from West Mercia Police	(1,991)
(1,858)	Contribution from Staffordshire Police	(1,875)
(7,782)	Total funding provided to the pooled Budget	(7,853)
	Expenditure met from the pooled budget	
7,140	Pay and allowances	7,057
58	Premises costs	68
466	Transport costs	539
216	Supplies and Services	196
0	SPP grant	0
7,880	Total expenditure	7,860
	Income received to the Pooled budget	
(5)	Miscellaneous income	0
(93)	External funding	(7)
(98)	Total income received	(7)
7,782	Total Net Expenditure	7,853
0	Net surplus/(deficit) arising during the year	0
0	West Midlands Police share of 50.7% of the net surplus/(deficit) arising during the year	0



The external income has been adjusted to reimburse Staffordshire and West Mercia PCC for associated overtime costs prior to the balance being apportioned across the Group accordingly. This impacts on the funding provided by the pooled budget.

The costs met by West Midlands Police in funding the Central Motorway Police Group are shown in the Comprehensive Income and Expenditure Statement as part of the costs of Roads Policing.

(b) REGIONAL ORGANISED CRIME UNIT

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

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

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

2014/15 £'000		2015/16 £'000
	Funding provided to WMROCU	
(1,491)	Contribution from West Midlands Police	(1,429)
(554)	Contribution from West Mercia Police	(691)
(323)	Contribution from Staffordshire Police	(361)
(232)	Contribution from Warwickshire Police	(261)
(2,000)	WMROCU Grant	(1,745)
(233)	National Cyber Security Programme funding	(306)
(1,004)	Regional Asset Recovery Team grant	(166)
(630)	Additional Home Office funding (grant provided mid-year in 2015-16)	(669)
(6,467)	Total funding	(5,628)
	WMROCU expenditure	
1,004	Regional Asset Recovery Team (RART)	1,083
149	RART – ACE team	166
734	Regional Cyber Crime Unit	725
335	Regional Fraud Team	240
969	Regional Intelligence Unit	950
1,005	Regional Prisons Intelligence Unit	949
1,367	UKPPS (protected Persons)	822
236	Project Management	185
382	Operational Security	74
29	Regional Government Agency Intelligence Network	48
37	Command Team	201
187	Europol Secondment	0
33	Confid Unit project (RCU project)	185
6,467	Total expenditure	5,628
0	Total Net Expenditure	0



POLICE PENSION FUND ACCOUNT

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

2014-15 £'000	Police Pension Fund Account	2015-16 £'000	£'000
	Fund Account		
	Contributions receivable:		
	From employer:		
(59,130)	Normal	(50,698)	
(2,288)	Early retirements	(2,770)	
0	30+ contributions	0	
(61,418)		(53,468)	
(33,885)	From members	(32,734)	
(33,885)		(32,734)	
(360)	Transfers in	(1,296)	
(360)		(1,296)	
(95,663)	Total income into the Pension Fund		(87,498)
	Benefits payable:		
131,964	Pensions	136,728	
22,676	Lump sums	28,435	
343	Lump sum death benefits	441	
0	30+ benefits payable	0	
173	Benefits payable to other regional forces re earlier reorganisations	155	
155,157		165,759	
	Payments to and on account of leavers:		
0	Refunds of contributions	4	
2,336	Individual transfers out to other schemes	2,298	
0	Other	1	
2,336		2,303	
157,493	Total payments from the pension fund		168,062
61,830	Net amount payable for the year		80,564
0	2.9% employer contributions met by the Police and Crime Commissioner		(6,903)
(61,830)	Additional contribution received from the Police and Crime Commissioner		(73,661)
0			0



Net Assets Statement

Net current assets and liabilities	2014-15	2015-16
	£'000	£'000
Current assets	0	0
Current liabilities	0	0
Total	0	0

Notes to the Police Pension Fund Account

1. The police pension fund account has been prepared in accordance with the Police Pension Regulations 2007 and the accounting policies detailed on page 15 of this Statement of Accounts.
2. The police pension fund is administered by the Chief Constable of West Midlands Police.
3. All benefits payable during 2015-16 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2016 are not included. These liabilities are recognised within the Comprehensive Income and Expenditure Statement and are detailed in note 14.
4. The police pension fund scheme is an unfunded defined benefit scheme. This means that there are no assets to the scheme and that all benefits payable are funded by contributions from employers and employees. Any difference that arises in the year between the benefits payable and the contributions received is met by a top up grant received from the Home Office.
5. Employee and employer contributions into the scheme are based on percentages of pensionable pay set nationally by the Home Office and subject to a triennial revaluation by the Government Actuaries Department. During 2015-16 the contribution rates were as follows :-
6.
 - Employees Contribution – 21.3% for the 1987 2006 & 2015 Police pension schemes

For tier 1 officers (salaries under £27,000 a year)

 - Employees Contribution – 11% for old and 2006 new police pension scheme
 - Employees Contribution – 12.44% for 2015 new police pension scheme

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

 - Employee Contribution – 14.25% for 1987 police pension scheme
 - Employers Contribution – 12.05% for 2006 police pension scheme
 - Employers Contribution – 13.44% for 2015 new police pension scheme

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

 - Employee Contribution – 15.05% for 1987 police pension scheme
 - Employers Contribution – 12.75% for 2006 police pension scheme
 - Employers Contribution – 13.78% for 2015 new police pension scheme



Recognition of Local Government Pension Scheme deficit payment impacting on the value of the pensions' reserve

There is a difference between the pension's liability and pensions reserve in the 2015-16 accounts of £5.56m. This is due to the nature of a payment made to the Local Government pension Scheme on 01 April 2015 for £11.149m which was noted as a Post Balance Sheet Event in the 2014-15 Statement of Accounts.

The payment was required to pay for the deficit in the Local Government Pension Scheme covering 2 years (2015-16 and 2016-17). The CIPFA Code of Practice does not permit the PCC to recognise the portion of this payment which relates to 2016-17 as a accrued expense in 2016-17 and as a result the payment was credited to the pensions reserve in full in 2015-16 and only the 2015-16 portion was recognised in the General Fund through the Movement in Reserves statement. The transactions that were carried out to reflect this movement are shown below:

	2014-15 £000	Movements £000	2015-16 £000
Pension Reserve	6,930,474	(954,695)	5,975,779
Pension Liability	(6,930,474)	960,251	(5,970,223)
Net movement	0	5,556	5,556

Payments were made to the Local Government Pension Scheme to pay the pension deficit contribution relating to both 2015-16 and 2016-17 years on 01 April 2015. The payments were £5.593m for 2015-16 and £5.556m for 2016-17. The total payment made was £11.149m. The CIPFA Code of Practice does not permit the portion that relates to 2016-17 to be treated as a prepaid expense and charged to revenue in 2016-17. Therefore the PCC was required to carry out the following transactions to recognise the deficit payment in accordance with the CIPFA Code.

	DEBIT £000	CREDIT £000
1. Account for the initial payment as a balance sheet transfer:		
Pension Fund Liability	11,149	
Cash		11,149
2. Transfer between Pension Reserve and General Fund in Movement in Reserves charge 15-16 year portion of cost		
General Fund	5,593	
Pension Reserve		5,593

These transactions have the effect of producing the imbalance between the Pension Reserve and Liability which will be resolved at the end of 2016-17 when the payment of £5.556m is recognised in the General Fund.



GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

CCWMP – Chief Constable of West Midlands Police. This is the name of the entity which has direction and control over the police force and is headed by the Chief Constable.

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

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

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

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

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

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



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

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

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

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

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

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

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

OUTTURN – The actual amount spent in the financial year.

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

PCCWM – This stands for Police and Crime Commissioner for West Midlands. This is the entity which is headed by the Police and Crime Commissioner and whose role is to hold the Chief Constable to Account, to agree the Policing and Crime Plan, and to agree the budget for the Police Force.

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

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

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

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

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

SeRCOP – Service Reporting Code of Practice. This replaced the BVACOP as a method of providing a consistent and comparable total cost of services in Local Authority Accounting.