

**Police and Crime
Commissioner for the West
Midlands:
Consolidated Statement of
Accounts**

2013-14

STATEMENT OF ACCOUNTS 2013-14

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EXPLANATORY FOREWORD

This Statement of Accounts sets out the overall financial position of the Police and Crime Commissioner for the West Midlands (PCCWM) and the consolidated accounts of the corporation soles of Police and Crime Commissioner for the West Midlands and the Chief Constable of West Midlands Police (CCWMP). The Statement of Accounts has been prepared following the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. This interprets the International Financial Reporting Standards on which the accounts of the PCCWM 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.

These are the second set of statutory accounts to be prepared under the new arrangements. A separate set of statutory accounts have been published for the Chief Constable to recognise all the financial transactions incurred during 2013/14 for policing the West Midlands area.

The Statement of Accounts for the PCCWM group consists of:

1. Police and Crime Commissioners Approval in the Audit Committee

The date and signature of the Police and Crime Commissioner on the approval of the Statement of Accounts

2. Annual Governance Statement

This statement describes how the office for the Police and Crime Commissioner 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 PCCWM 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 conclusion on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

5. The Statement of Accounts brings together the key financial statements of the Police and Crime Commissioner. The consolidated financial statements consist of:

- **Comprehensive Income and Expenditure Statement for the Group and Police and Crime Commissioner for the West Midlands**– These statements 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. Local Authorities and PCCs raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The statement shows the net cost for the year of the functions for which the PCCWM is responsible and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. The statement includes other recognised gains and losses of the PCCWM during the year showing the total comprehensive income and expenditure of the PCCWM.

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

The Police Pension Fund Account contains the contributions from the CCWMP at a rate of 24.2% of police officers’ pay which are used to pay police pensions during the year. Any surplus or deficit on this account at the end of the year is paid to, or claimed from the Comprehensive Income and Expenditure Statement of the Chief Constable within Financing and Investment Income and Expenditure.

REVENUE OUTTURN 2013-14

The overall revenue outturn position is an underspend of £7.2m against the revised current budget of £532.3m. This is broadly in line with outturn forecasts made during the financial year. The Force under spent by £7.0m (1% of budget) and the Office for the Police and Crime Commissioner under spent by £0.2m (10% of budget).

In December 2013 the PCCWM agreed a revised budget for 2013-14 which reflected the ongoing realisation of savings made through the Budget Review programme. The revised budget increased the net contribution to reserves in 2013-14 to £24.4m. As at 31 March 2014 the Budget reserve balance was £71.7m, of which £9.9m is earmarked to support the revenue budget in 2014-15 and a further £35m is earmarked to support the revenue budget over the years 2018-19 in line with the Budget Strategy.

General Balances have been maintained at £12m in accordance with the advice of the Chief Finance Officer for the PCC.

In total, pay related expenditure was overspent by £1.0m against the budget with Police pay and PCSO budgets being underspent by £0.7m and staff pay and other employee expenses being overspent by £1.7m. The reasons for this are: Firstly, a number of equal pay claims are currently being settled which accounts for £0.9m of the overspend on police staff pay. Secondly, the overspend on other employee expenses mainly relates to redundancy and pension fund strain payments arising from 52 staff leaving the force (£0.4m).

During the year there was an underspend of £2.1m on premises related expenditure. This has arisen due to the continuing rationalisation of the estate and additional savings on utilities and maintenance costs resulting from more robust management and procurement practices. All premises budgets will be subject to a budget review process in 2014 and it is anticipated that further savings will be identified.

Within transport related expenditure an underspend of £1.3m arose from savings on vehicle fuel and hired vehicles. Additional savings also arose as a result of the budget review process which was undertaken on Transport budgets in 2013.

External income has been over-achieved by £3.8m. This was mainly due to additional income from the Proceeds of Crime Act (£1.1m), additional training income (£0.4m), adjustments relating to the sale of the helicopter to the National Police Air Service (£0.4m), rent rebates in relation to the return of property at Tally Ho! (£0.4m) and additional vehicle sales income (£0.3m). Other miscellaneous income was over achieved by £1.2m.

To ensure that the additional income in relation to the Proceeds of Crime Act is utilised for appropriate purposes a new POCA Income Reserve has been created and the £1.1m over achievement of income will be contributed to this reserve. This will allow the additional income received in 2013/14 to be spent in 2014/15 on local and other initiatives. The outturn position of the Group is shown in the table below:

<i>Actual</i> 2012-13 (re-stated) £m	<i>Revenue Expenditure</i>	<i>Budget</i> 2013-14 £m	<i>Actual</i> 2013-14 £m	<i>Variation</i> + (-) £m
518.1	Employee costs	472.7	473.7	1.0
20.6	Premises costs	22.4	20.3	(2.1)
10.0	Transport costs	9.4	8.1	(1.3)
44.0	Supplies and Services	40.9	40.0	(0.9)
4.2	Agency costs	4.0	4.0	0
5.4	Capital Financing	3.4	3.5	0.1
(81.5)	Income	(25.4)	(29.2)	(3.8)
0	CTU	2.6	2.6	0
520.8	Police Force	530.1	523.1	(7.0)
1.7	Office for Police and Crime Commissioner	1.9	1.7	(0.2)
0	CSF Grant Income	(7.0)	(7.0)	0
0	CSF Grant Expenditure	7.3	7.3	0
522.5	Net Cost General Police Services	532.3	525.1	(7.2)
24.0	Net Contribution to Reserves	24.4	31.6	7.2
546.5	Net Budget Requirement	556.7	556.7	0
	Statutory Accounting Adjustments:			
241.6	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance		269.8	
788.1	Net Operating Expenditure (CIES)		826.5	

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

	2013-14 Revised Budget £m	2013-14 Outturn £m	Difference £m
Net Operating Expenditure	532.3	525.1	(7.2)
Contribution to Budget Reserve	24.4	34.1	9.7
Contributions from Reserves	0	(2.5)	(2.5)
Net Budget Requirement	556.7	556.7	0

The table below shows how the Net Budget Requirement of £556.7m is funded from Government Grants and Council Tax.

	2013-14 Outturn £m
Council Tax Payer	65.0
Police Revenue Grant	275.3
Council Tax Support Funding	17.0
Non-Domestic Rates	199.4
Net Budget Requirement	556.7

EARMARKED AND GENERAL RESERVES

Earmarked Reserves amount to £144.8m, and the General Reserve has been maintained at £12m to adequately cover the risk of major incidents.

The Joint Audit Committee undertook a detailed review of Reserves in December 2013 and this contributed to the 2014/15 Budget setting process. The outcome of this review, and any relevant updates since it was undertaken, has simplified a number of earmarked reserves and transferred amounts between reserves.

As at 31st March 2014 the Budget Reserve balance was £70.5m of which £9.9m is earmarked to support the revenue budget in 2014/15 and a further £35m is earmarked to support the revenue budget over the years to 2018/19 in line with the Budget Strategy.

At the end of 2013/14 there has been no general carry forward of the underspends on devolved budgets. This decision reflects the need to maintain control over the prioritisation of funds to support the Budget Strategy. There are however a small number of specific areas where contributions to or from earmarked reserves have been necessary to carry forward balances held for regionally funded units and other specifically funded items.

MATERIAL ASSETS ACQUIRED, LIABILITIES INCURRED AND FINANCING OF CAPITAL EXPENDITURE

The PCC/Group has taken ownership of £3.4m of new vehicles which have been specified to reduce ongoing maintenance costs and improve fuel efficiency. The PCC/Group has also purchased £2.1m of IT systems and infrastructure equipment to improve the efficiency and reliability of the Information Technology function. The purchase of land for the new Custody Blocks and the continuation of design and planning works for these building projects and the Central Birmingham work have totalled £3.9m in year.

Overall capital expenditure for the year was planned to total £16.6m in the original budget. This was amended to £14.4m in the revised budget as the PCC/Group moved back some planned expenditure on the construction of new custody facilities. Actual expenditure amounted to £11.3m (equivalent to 79% of planned expenditure). The PCC/Group has £78m of Capital Reserves in Unapplied Capital Grants, Unapplied Capital Receipts and Earmarked Capital Reserves to meet future capital expenditure plans and other financial commitments.

The Force Helicopter and associated assets were transferred to the National Police Air Service in October 2013. This has resulted in an overall loss on disposal of helicopter assets of £1.3m including deferred Capital Receipt payments due over the next 11 years of £1.9m reflecting the remaining expected life of the asset under NPAS ownership.

The PCCWM is involved in an on-going employment tribunal case regarding Police Officer retirements under the A19 police regulations. This regulation allowed the Chief Constable to retire officers once they reached 30 years service. The courts recently found in favour of Police Officers whose A19 retirement was deemed to be unlawful. The PCCWM has sought legal advice in relation to this case. The outcome of any future legal challenges is not yet clear and no value can be put on any potential future liability at the Balance Sheet date.

PROVISIONS

In 2010-11 the former Police Authority recognised a provision for £1m for the cost of settling equal pay claims following the outcome of a legal review which indicated that the Authority would be likely to have to settle claims to this value. As at 31 March 2014 a significant number of these claims have been settled. The PCCWM now believes it is appropriate to increase the provision for settlement of all remaining equal pay claims. As a result this provision has been increased to £1.7m. The PCCWM will remove the provision of £0.7m for the expected cost of future redundancy packages. The £0.35m for the cost of allowances required to meet the Governments' Carbon Reduction Scheme commitments will be maintained in 2013-14. The total value of provisions will therefore remain at the same value as the previous year.

PENSIONS

The requirement to recognise the net pensions liability in the Balance Sheet has reduced the reported net worth of the Group, converting net assets of £252m into net liabilities of £5,712m.

The actuarial gains on pension funds in 2013-14 totalled £385.6m and compared to actuarial losses of £819m in 2012-13. This has resulted in a reduction in the overall pension's liability. The actuarial gains in 2013-14 are largely due to a gain in yields on long term corporate bonds which in turn has increased the discount rate at which pensions are paid. When compounded over the duration of a typical pension payment the effect of this change 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 80 of the Statement of Accounts.

However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy because:

- 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.
- The Police Officer pension scheme is a statutory scheme as specified by police regulations, whereby the Group pays an employer's contribution of 24.2% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there are insufficient funds in the Pension Fund Account to meet expenditure commitments in any particular year, the Home Office will fund the deficit. In practice, therefore the significant liability of £5.964bn will be covered by future employer contributions and the receipt of Home Office grant monies. Ultimately, finance is only required to be raised to cover police pensions when the pensions are actually paid.

CHANGES TO ACCOUNTING POLICIES

The accounting recognition of the Group's assets, liabilities and reserves during the first period of transition, reflected the powers and responsibilities of the PCCWM and CCWMP as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service England and Wales 2012. This accounting treatment was also underpinned by the relationships as defined by local regulations, local agreement and practice. On 22 November 2012 the assets liabilities and reserves of the WMPA were transferred to the PCCWM where they remained under the first phase of transition.

Since then, some significant changes have been made to the Chief Constables Accounting Policies in the 2013-14 Statement of Accounts as a result of changes to the legislation underpinning the creation of separate entities for Police and Crime Commissioners and Chief Constables.

The Police Reform and Social Responsibility Act 2011 did not permit Chief Constables to apply sections 21 and 22 of the Local Government Act 2003 (accounts) which would have allowed them to account for transactions in the same way as a Local Authority.

As a result, at the time of preparing the 2012-13 financial statement Chief Constables lacked the statutory powers to remove the notional debit and credit transactions for retirement benefits through an unusable reserve and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable, but unpaid at the year-end. This resulted in the Chief Constable having a financial guarantee which would be met with the transfer of funds from the Police and Crime Commissioner as – at this time the Chief Constable was not able to hold reserves.

Similarly, statutory provisions required the police fund to be charged with employee compensated absences which had been earned but not taken during the year. This included the value of annual leave entitlement and time owing carried forward as at 31st March 2013.

This charge is then reversed out through an unusable reserve in the Movement in Reserves Statement so that the accounting entries do not impact on the requirement to raise council tax. As the Chief Constable did not have Local Authority status at the time of producing the 2012-13 financial statements – the Chief Constable's Accumulated Absences Account was included in the accounts as a usable reserve.

Since the publication of the 2012/13 financial statements the status of the Chief Constable as an entity has changed. The Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 was laid before Parliament on 17 September 2013 and is effective from 31 March 2014. This order permits Chief Constables to apply Sections 21 and 22 of the Local Government Act 2003 (accounts) to their transactions which allows the entity to transact in the same way as a Local Authority.

As a result, the Chief Constables Pension Reserve and Accumulated Absences Account have been restated from a financial guarantee from the Police and Crime Commissioner to an unusable reserve. The establishment of an unusable reserve has resulted in the presentation of a Movement in Reserves Statement

for the Chief Constable and separately for the Police and Crime Commissioner and the restatement of the comparative values in the Balance Sheet of the PCC and Group.

In addition, The CIPFA Code of Practice includes amendments to the Comprehensive Income and Expenditure Statement as a result of the June 2011 amendments to IAS1 Presentation of Financial Statements and the June 2011 amendments to IAS 19. This produces a change on the face of the Comprehensive Income and Expenditure Statement and some presentational changes in the main pension note starting on page 80. As a result of the changes to IAS 19 the prior year pensions note has been restated. This change has also been reflected in the Statement of Comprehensive Income and Expenditure and the Movement in Reserves Statement in the prior year. It should be noted however, that the changes in values are not material to the accounts. These changes are reflected in Appendix 1 to these accounting statements.

BORROWING

The PCCWM's borrowing totals £60m. There has been no new borrowing during the financial year. Details of borrowing are shown in Note 14.

FUTURE OUTLOOK

Although the actual levels of future Government funding for the Police Service remain uncertain, it is clear from announcements by the Chancellor of the Exchequer and others that all public services, including the Police Service, will continue to be faced with further funding reductions in the medium term irrespective of the political party which wins the general election in 2015.

The application of crude across the board reductions in Government funding for PCCs, which do not take account of local circumstances, have had a far greater impact in the West Midlands than elsewhere, because of the policy in previous years of minimising calls on local council taxpayers and hence increased reliance on Government grant.

Despite this the Force, in conjunction with and supported by, firstly the former Police Authority and latterly the Commissioner, has delivered savings of over £120m since 2010/11. Systems are now well established to ensure that the challenges of future funding reductions will be met, whilst at the same time building on the key values of serving our communities and protecting them from harm.

Nevertheless the current funding arrangements are inequitable and unfair. The Commissioner's campaign for a fairer funding model assumes even greater importance as the Government moves towards a further review of the national funding formula.

In formulating budget proposals for 2014/15 and the medium term the Commissioner has concerns that a 'tipping point' between reduced policing resources (as a result of reductions in Government Grant) and the levels of crime and anti-social behaviour are in danger of being reached and for action needed to be taken to redress the balance.

Mindful also of the demographic and age profile of the current workforce, and the need to continue to ensure the workforce appropriately reflects the community it serves, provision has been made for the recruitment of 250 additional police officers in 2014/15 (replacing broadly the number of officers who are likely to retire or otherwise leave the force in 2014/15), and subject to review a further 200 additional police officers in 2015/16 and the establishment of 100 new police staff posts to release police officers for more operational duties.

The cost of these posts will be funded by a mixture of savings, a precept increase in line with Government guidelines and the prudent use of the Budget Reserve over the medium term.

On 20 March 2013 The PCCWM agreed to a project to refurbish the Police Headquarters – Lloyd House as part of an estate strategy for central Birmingham which will see a reduction in the number of buildings that are

used by the force in the city centre. As at 31 March 2014, the construction contracts which will lead to the commencement of this work have not yet been exchanged.

The refurbishment of Lloyd House is part of an estates strategy for Birmingham city centre which is expected to cost £30.9m over a 3 year period. In addition the PCCWM has agreed a project to build 2 new custody blocks to replace out of date and inefficient existing facilities one of which will also incorporate additional office facilities as part of the rationalisation of the estate in Birmingham. The cost of the custody project is £34.6m.

EVENTS AFTER THE REPORTING PERIOD

As at 1 April 2014, the PCCWM and CCWMP commenced a transfer of people from the PCCWM to the Chief Constable. This was part of the stage 2 transfer under the Police Reform and Social Responsibility Act 2011.

The 2 entities now operate a joint scheme of corporate governance which provides a framework which ensures business is carried out lawfully and efficiently, ensuring that decisions are not unnecessarily delayed and are taken at the appropriate level. This scheme is designed to:

- Set out in detail the terms on which the respective functions of the PCC and CC will be exercised, in order to comply with the Police Reform and Social Responsibility Act 2011('the Act'), the Policing Protocol Order 2011 and all other legislation and achieve the objectives set out in the PCC's Police and Crime Plan;
- Set out the extent and any associated conditions attaching to the PCC's consent to the Chief Constable's exercise of the powers to enter into contracts and acquire or dispose of assets, excluding land and property.
- Set out the extent and details attaching to the delegations to their staff and officers which the PCC and CC can exercise.

All Police officers, PCSO's and staff with the exception of those staff within the Office for Policing and Crime moved to the CCWMP and reside under his direction and control. A number of provisions in relation to the use and ownership of assets have also been agreed as part of the stage 2 transfer. This will impact on the Comprehensive Income and Expenditure Statement and Balance Sheet of both the PCCWM and the CCWMP when their accounts are produced at the end of the 2014-15 financial year.

Police and Crime Commissioner West Midlands **Annual Governance Statement**

Position as at 31st March 2014 including plans for the financial year 2014/15

1. Introduction

The Police and Crime Commissioner for the West Midlands (the Commissioner) became the successor corporate body to the former West Midlands Police Authority on 22 November 2012.

Since then, with effect from the 1st April 2014, the Commissioner and the Chief Constable have implemented the Stage 2 Transfer process, agreed with the Home Secretary, whereby the bulk of police staff transfer from the employ of the Commissioner to the employ of the Chief Constable.

Further, this transfer requires a change in the scheme of governance; during 2013/14 this was based upon a system of consents and delegations. To address this for 2014/15 and beyond, a joint scheme of governance is presently being developed by a joint senior officer group.

This Annual Governance Statement covers the first full year where a separate statement is required for the Commissioner.

After the sad and sudden death of Commissioner Bob Jones on 1 July 2014, an election took place on 21 August 2014 and David Jamieson was duly elected as the new Police and Crime Commissioner for the West Midlands.

2. Scope of Responsibilities

The Commissioner is responsible for ensuring his 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 Commissioner also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which his functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Commissioner is also responsible for putting in place proper arrangements for the governance of his affairs and facilitating the exercise of his 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 Commissioner has adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*, a copy of which is on our website at www.west-midlands-pcc.gov.uk or can be obtained by contacting us, details at www.west-midlands-pcc.gov.uk/contactus.asp. This statement explains how the Commissioner 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.

3. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the Commissioner is directed and controlled and his activities through which he accounts to and engages with the community. It enables the Commissioner to monitor the achievement of his 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 but 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 Commissioner'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.

4. The Governance Framework

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

It therefore follows that the 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 sole 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 Commissioner has adopted a number of systems and processes, which together with the phased review and revision of those arrangements, comprise the Commissioner's current governance arrangements, the key elements of which are detailed below:

- identifying and communicating the Commissioner's plans and intended outcomes for citizens and service users
- translating the plans into objectives for the Commissioner
- measuring the quality of services for users, to ensure they are delivered in accordance with the Commissioner's objectives and represent the best use of resources and value for money
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication, in respect of the Commissioner and partnership arrangements
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for the Commissioner, Deputy Commissioner, Members of the Strategic Policing Board, Statutory Officers and staff.
- reviewing the effectiveness of the Commissioner's decision-making framework
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- ensuring effective management of change and transformation
- ensuring the Commissioner's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)
- ensuring the Commissioner'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
- ensuring effective arrangements are in place for the discharge of the head of paid service and monitoring officer functions
- established a Joint Audit Committee(with the Chief Constable) and appointed an independent Chair to continue and develop the work of the former Authority's Audit Committee, as identified by the Home

Office's Code of Practice for Financial Management and CIPFA's Audit Committee – Practical Guidance for Local Authorities.

- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- whistle blowing and receiving and investigating complaints from the public
- identifying the development needs of members, board members and senior officers in relation to their strategic roles, supported by appropriate training
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- enhancing the accountability for service delivery and effectiveness of other public service providers
- developing good governance arrangements in respect of partnership and other joint working arrangements

5. Review of Effectiveness

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit.

The review of effectiveness is informed by the work of the executive managers within the Commissioner's Office, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's 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 Commissioner

The Commissioner is overall responsible for the maintenance and review of the governance arrangements and has asked his Statutory Officers, together with the Head of Internal Audit to continue with the review of the corporate governance arrangements, designed to assess and monitor:

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

- 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.

The Terms of Reference of the Committee, at <http://www.westmidlands-pcc.gov.uk/transparency/joint-audit-committee> encompasses and reflects these duties by defining that they:

- Be the conduit through which the Governance work is channelled.
- Be responsible for risk management on behalf of the Commissioner.
- Recommend approval of the Statutory Accounts of the Commissioner and Chief Constable

To ensure that it is ably qualified, annual assessments of its abilities in line with best practice are undertaken confirming that the Committee is well suited and equipped for such responsibilities.

- 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 Internal Audit, has been delegated to the CFO. The Audit Committee oversees the provision of this service, reviewing associated plans and work outputs. The effectiveness of the system of Internal Audit is reviewed on an annual basis and forms part of the assurance protocols in relation to corporate governance.

The standards of Internal Audit are assessed against national guidelines of best practice, including the Public Sector Internal Audit Standards and the current arrangements are fully compliant with these guidelines. A continuous Internal Audit of the Commissioner's business arrangements was undertaken and reported upon. The External Auditor also reviews the effectiveness of these arrangements and reports on an exception basis to the Audit Committee on the performance of Internal Audit.

6. Significant Governance Issues

The introduction of Police and Crime Commissioners and the abolition of Police Authorities created major changes in the governance arrangements for the Police Service. With effect from 1 April 2014 the Commissioner and the Chief Constable are now separate corporation soles with specific, and in some cases new, statutory responsibilities. Developing and embedding new governance arrangements and working relationships continue to be a priority. Developed by a Joint Officer Governance Board, a Scheme of Governance has been developed setting out the respective responsibilities and working arrangements between the Commissioner and Chief Constable.

Work will continue into 2014/15 to further develop this Scheme.

The operation of the new Strategic Policing and Crime Board, the creation of Local Police and Crime Boards and the Commissioner's relationship with the Police and Crime Panel have supported to Commissioner and his deputy in discharging their governance responsibilities.

Responsibility for the employment of Police Staff previously employed by the Commissioner but under the direction and control of the Chief Constable, transferred to the employment of the Chief Constable with effect from 1 April 2014, at which time a revised staffing structure for the Commissioner's office was also introduced and steps are being taken to transfer existing staff into new responsibilities and to recruit to a number of new posts, which will further support improved governance arrangements for the Commissioner.

Following a lengthy and competitive process the Commissioner has recently appointed an Innovation and Improvement Partner (IIP) to work with the Force and his office to design and deliver a change programme to address the service delivery and financial challenges over the medium term. This will inevitably result in changes to some existing governance arrangements, and pose new challenges for the Commissioner in holding the Chief Constable to account. Significant changes to the Corporate Estate, which will require robust project management, are also planned.

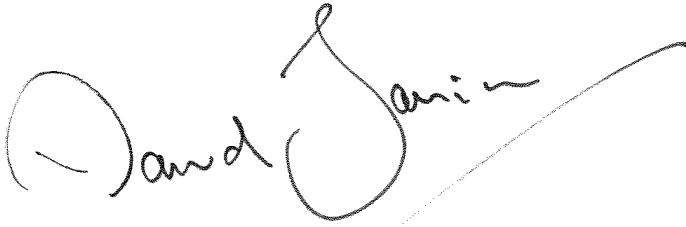
Nevertheless, during 2013/14, the Commissioner has successfully met the challenges of:

- Maintaining and improving service levels despite the biggest reduction in Government funding levels for any Police Service in the Country during the period of the current Comprehensive Spending Review, whilst;

- Continuing to challenge the Chief Constable to demonstrate the effective and efficient implementation of the Organisational Change Programme, in making preparations to deliver and implement some of the most fundamental changes in the way services are delivered to the public, and;
- Continuing with the implementation of the new joint scheme of corporate governance.

The scale of change facing the Commissioner remains extremely challenging, at a time when the demand and need for sustained and improved service to the public continues to increase. 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, confident that our overall governance arrangements are sufficiently robust and resilient to meet the demands and challenges resulting from these changes.

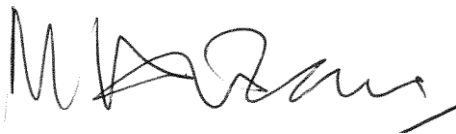
Signed



David Jamieson
Police and Crime Commissioner West Midlands



Ms J. Courtney
Chief Executive: Police and Crime Commissioner's Office West Midlands.



M S Williams.
Chief Financial Officer: Police and Crime Commissioner's Office West Midlands

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Groups transactions for the 2013-14 financial year and its position at the year end of 31 March 2014. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14: Based on International Financial reporting Standards published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Guidance notes issued by CIPFA on the application of accounting standards to local authorities have in general been followed, and any exceptions to this are disclosed below. The policies below reflect the powers and responsibilities of the Police and Crime Commissioner 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. Property, Plant and Equipment

Recognition

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

Assets made up of a number of components with significantly different economic lives have been reviewed to identify if these components should be treated as separate assets and depreciated over their own useful economic lives per the requirements of the CIPFA code of practice on Local Authority Accounting in the United Kingdom 2013-14. It has been determined that such treatment does not make a material difference to the values of the Groups assets and component accounting of these assets has not been applied in 2013-14. This approach will be reviewed each year but is not expected to apply to buildings as replacement items are generally purchased from revenue budgets.

Items of capital expenditure with values below £5,000 will be classed as de-minimis and although initially recorded in asset registers will be written out of asset registers in the year that expenditure is incurred.

Measurement

All property, plant and equipment assets will be measured initially at cost, representing the costs directly attributable in acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Where Assets are still under construction at Balance Sheet date these will be held at Historical Cost and are not yet subject to depreciation.

Assets will be reviewed for impairment at the end of each reporting period.

Revaluation gains will be recognised in the Revaluation Reserve unless they reverse a previous Revaluation loss. All Revaluation losses on re-valued assets will be recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset. Thereafter revaluation losses will be recognised in the Surplus or Deficit on the provision of services (formerly the Income and Expenditure Account). No distinction will be made between losses due to the clear consumption of economic benefit and those due to a general fall in prices specific to the asset

Valuation

Freehold, leasehold and residential properties which the Group includes in its property portfolio were valued in 2009 by Gerald Eve (Chartered Surveyors) in accordance with the statements of asset valuation practice and guidance notes of the Royal Institution of Chartered Surveyors. Property and the associated land will be

revalued at intervals no greater than five years. Buildings are written down over their useful lives as provided at valuation. Revalued assets have been valued at fair value based on Existing Use Value in accordance with International Financial Reporting Standards.

Plant and machinery is included in the valuation of the building in which it is located. ICT, General equipment and vehicles are valued at depreciated historic cost as a proxy for fair value as they are written down to give a useful life of less than five years.

2. Intangible Assets

Recognition

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

Software

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

Measurement

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

Amortisation

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

3. Heritage Assets

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

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

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

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

4. Assets Held for Sale

Non-current assets held for sale will be measured at the lower of their carrying value and fair value less costs to sell at initial reclassification and at 31 March each year. Assets held for sale from 1 April 2009 must satisfy strict criteria to be classified as held for sale. That is, the asset must be available for immediate sale in its present condition, the sale must be highly probable and the asset must be actively marketed for sale at a reasonable price in relation to its current fair value. Usually the sale should be expected to be completed within one year and the assets will be reclassified as Current Assets within the Balance Sheet.

5. Intra-group funding arrangements and cost recognition

The Chief Constable recognises the costs of salaries of police officers, police community support officers and police staff with the exception of those staff working in the Office for Policing and Crime. There is no transfer of real cash between the PCC and Chief Constable and the latter does not have a bank account into which monies can be received or paid from. Costs are recognised in the Chief Constable's Accounts to reflect the PCC's resources consumed in the direction and control of day-to-day policing at the request of the Chief Constable. The Accounts reflect the ownership of the assets by the Police and Crime Commissioner and as such the cost of maintaining these assets is borne by the PCC. The Chief Constable recognises the employment and post-employment costs and liabilities in his Accounts. To fund these costs and liabilities the Chief Constable's Accounts show as income a transfer of resources from the PCC to the Chief Constable for the cost of policing services. As the Chief Constable is now able to exercise sections 21 and 22 of the Local Government Act 2003 the Chief Constable will disclose the full pension's liability and a corresponding pensions reserve in his Balance Sheet. The Chief Constable will also disclose the pensions top-up grant in his accounts to reflect income received to offset the cost of pensions paid in year.

6. Redemption of Debt

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

Loan debt incurred from 1 April 1986 is directly administered by PCCWM. Instalments of principal are charged to revenue in accordance with the statutory minimum revenue provision, calculated at 4% of this debt for historical debt and in line with depreciation for borrowing since 2008, net of reserves set aside for debt redemption.

7. Leasing

Rental payments on operating leases are charged to the revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable and associated future liabilities are disclosed in the notes. For finance leases where the Group is a lessee the Group recognises finance leases as assets and liabilities at the present value of the minimum lease payments. The Groups incremental borrowing rate on PWLB loans will be used to determine the interest rate implicit in the lease. Any initial indirect costs of the lease will be added to the value of the asset.

8. Debtors and Creditors

Debtors and creditors have been accrued when preparing the revenue accounts of the Group. Police and police staff overtime worked in March is accrued to align the overtime year with the performance year.

The PCCWM does not have a bad debt provision. However it does recognise a proportion of Billing Authority impairment allowance for bad debts for non-payment of council tax in its Balance Sheet. The overall position regarding collection fund balances is shown in the collection fund adjustment account in note 25.

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

9. Inventories

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

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

10. Reserves

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

11. Provisions

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

Provisions are charged as an expense in the Comprehensive Income and Expenditure Statement in the year that the PCC/Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Any estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement is made) the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

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

The provision for Debt Impairment (previously termed bad and doubtful debts) will remain at nil on the basis of the very low risk of non-payment of debts. However, the group does acknowledge that it holds a portion of Billing Authority impairment allowances for bad debts for non-payment of council tax in its Balance Sheet.

12. Contingent Liabilities

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

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

13. Contingent Assets

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

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

14. Financial Liabilities

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

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

15. Financial Assets

Financial assets are classified into two types:

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

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

Loans and Receivables

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

Available for Sale Assets

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

16. Treatment of Grants

Net revenue expenditure is expressed before deducting government grants in support of the overall expenditure of the PCC/Group i.e. police grant and revenue support grant. Other revenue grants are smaller and specific to particular aspects of the Groups functions and have been shown as income in arriving at net expenditure.

The financing cost of capital expenditure incurred from 1990-91 onwards no longer qualifies for revenue grants, due to a change of treatment by the Home Office. Instead, Capital grant is received to finance capital expenditure up to a prescribed limit. Since the Group accounts have been completed on an IFRS basis revenue and capital grants and contributions will be accounted for on an accruals basis and recognised immediately as income in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition attached which the Group has not yet satisfied. Such grants and contributions will be recognised initially in the relevant grants received in advance account. Capital grants that do not have any conditions imposed on them, which are not spent at the year end, will be transferred to the Capital Grants Unapplied Account.

The pensions top up grant, although received by the PCC will be disclosed in the Chief Constable's accounts on the basis that all pensions related costs are disclosed in the Chief Constables accounts. This grant simply offsets the difference between the cost of police pensions in year and the funding of those pensions.

17. 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 Group.

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Group to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the Surplus or Deficit on the Provision or Services in the Comprehensive Income and Expenditure Statement when the Group is unable to withdraw an offer to terminate the employment of an individual or group of employees or when the Group recognises costs for restructuring that is within the scope of IAS 37 and involves the payment of termination 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 and 2006 Police Pensions Regulations are generally receivable into and payable out of the pensions fund and specific provision is made for officers' contributions and inward transfer values to be paid into the fund and for awards payable and outward transfer values to be paid out of the fund. Transfers into and

out of the fund are recognised as income to (or expenditure from) the Police Pension fund account in the year in which the transfer occurs.

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

- a. The rate of contribution in 2013-14 was 10.3%.
- b. The liabilities of the scheme attributable to the Group 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 4.6% (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 Group 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 PCC does not recognise the cost of police staff pensions for those staff under his direction and control because these costs are not provided separately by the actuary and are not material in nature. Hence all police and police staff pension costs (including remeasurements) are recognised in the accounting statements of the Chief Constable. This is a change to the accounting policy which was in place for the 2012-13 statement of accounts where 1% of the actuarial gains and losses were shown in the accounts of the PCC. This has resulted in the 2012-13 Comprehensive Income and Expenditure Statement and Movement in Reserves Statement being restated.

18. Interest

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

19. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

20. Council Tax Income

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

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

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

21. Cash and Cash Equivalents

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

22. Revenue Recognition

The following statements show how the Group recognises revenue in the accounts:

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

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

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

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

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

23. Value Added Tax

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

24. Events after the Balance Sheet date

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

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

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

25. 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 Group 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 Group
- Revenue from the provision of services is recognised when the Group 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 Group.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for retrospectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

26. 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 Authority's financial position or financial performance.

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER TO THE POLICE AND CRIME COMMISSIONER

The Chief Finance Officer to the PCC is responsible for the preparation of the PCCWM Statement of Accounts and Group 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 PCCWM and Group at the accounting date and its income and expenditure for the year ended 31 March 2014.

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

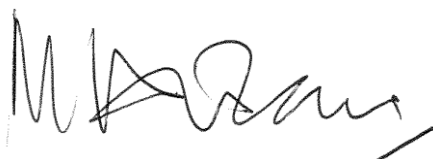
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the CIPFA IFRS Code of Practice on Local Government Accounting.

The Chief Finance Officer to the PCC 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 POLICE AND CRIME COMMISSIONER'S CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the consolidated financial position of the Police and Crime Commissioner of the West Midlands as at 31 March 2014 and its income and expenditure for the year then ended.



M S Williams CPFA
Chief Finance Officer to the Police and Crime Commissioner
Date: 30 September 2014

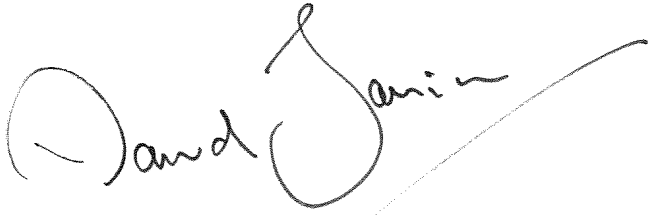
THE RESPONSIBILITIES OF THE POLICE AND CRIME COMMISSIONER FOR THE WEST MIDLANDS

The PCCWM is required:

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

POLICE AND CRIME COMMISSIONER'S CERTIFICATE

I certify that the Statement of Accounts presented to the Audit Committee, at a meeting on 25 July 2014 have been certified by the responsible financial officer and approved by the Police and Crime Commissioner for the West Midlands on 22 September 2014, in accordance with regulations 8 and 13 of the Accounts and Audit (England) Regulations 2011.

A handwritten signature in black ink that reads "David Jamieson". The signature is written in a cursive style with a long horizontal stroke extending to the right.

David Jamieson
Police and Crime Commissioner for the West Midlands
Date: 30 September 2014

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR THE WEST MIDLANDS

Opinion on the financial statements

We have audited the financial statements for the Police and Crime Commissioner for the West Midlands for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Group and PCC Movement in Reserves Statements, the Comprehensive Income and Expenditure Statements Group and PCC (Single Entity), the Group and PCC Balance Sheet, the Group and PCC Cash Flow Statement, the related notes and the Appendix – restatement of 2012-13 comparatives and include the police pension fund financial statements comprising the Police Pension Fund Account and Notes to the Police Pension Fund Account. 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 2013/14.

This report is made solely to the Police and Crime Commissioner for the West Midlands in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner 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 the Chief Finance Officer's Responsibilities, 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, and for being satisfied that they 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 Police and Crime Commissioner Single Entity and Group'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 explanatory foreword and the annual report 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:

- give a true and fair view of the financial position of the Police and Crime Commissioner for West Midlands as at 31 March 2014 and of his expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources Respective responsibilities of the Police and Crime Commissioner and the Auditor

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in his 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 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in his use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper

arrangements for securing economy, efficiency and effectiveness in his use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in his use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Police and Crime Commissioner has proper arrangements for:

- securing financial resilience; and
- challenging how he secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in his use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in his use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, the Police and Crime Commissioner for the West Midlands put in place proper arrangements to secure economy, efficiency and effectiveness in his use of resources for the year ended 31 March 2014.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

John Gregory
Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

30 September 2014

GROUP MOVEMENT IN RESERVES STATEMENT 2013-14

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

	Revenue		Capital		Total Reserves		
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	(12,042)	(90,459)	(20,727)	(16,335)	(139,563)	4,919,135	4,779,572
Movements in Reserves during 2012/13							
(Surplus) or deficit on the provision of services	234,213	0	0	0	234,213	0	234,213
Other Comprehensive Income and Expenditure	0	0	0	0	0	820,813	820,813
Total Comprehensive Income and Expenditure (per the CIES)	234,213	0	0	0	234,213	820,813	1,055,026
Adjustments between accounting and funding basis under regulations	(257,481)	0	(1,890)	(1,730)	(261,101)	261,101	0
Net increase or decrease before transfer to earmarked reserves	(23,268)	0	(1,890)	(1,730)	(26,888)	1,081,914	1,055,026
Transfer to/from Earmarked Reserves	23,268	(23,268)	0	0	0	0	0
Increase/Decrease during the year	0	(23,268)	(1,890)	(1,730)	(26,888)	1,081,914	1,055,026
Balance as at 31 March 2013 carried forward	(12,042)	(113,727)	(22,617)	(18,065)	(166,451)	6,001,049	5,834,598
Movements in Reserves during 2013/14							
(Surplus) or deficit on the provision of services	263,750	0	0	0	263,750	0	263,750
Other Comprehensive Income and Expenditure	0	0	0	0	0	(386,209)	(386,209)
Total Comprehensive Income and Expenditure	263,750	0	0	0	263,750	(386,209)	(122,459)
Adjustments between accounting and funding basis under regulations	(295,569)	0	1,970	160	(293,439)	293,439	0
Net increase or decrease before transfer to earmarked reserves	(31,819)	0	1,970	160	(29,689)	(92,770)	(122,459)
Transfer to/from Earmarked Reserves	31,819	(30,949)	0	0	870	(870)	
Increase/Decrease during the year	0	(30,949)	1,970	160	(28,819)	(93,640)	(122,459)
Balance as at 31 March 2014 carried forward	(12,042)	(144,676)	(20,647)	(17,905)	(195,270)	5,907,409	5,712,139

The adjustments between accounting and funding basis under regulations are shown in detail in note 6.

The balances carried forward for usable and unusable reserves are shown on the lower half of the Balance Sheet on page 37.

PCC MOVEMENT IN RESERVES STATEMENT 2013-14

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

	Revenue		Capital		Total Reserves		
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total PCC Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	(12,042)	(90,459)	(20,727)	(16,335)	(139,563)	(83,708)	(223,271)
Movements in Reserves during 2012/13							
(Surplus) or deficit on the provision of services	(7,314)	0	0	0	(7,314)	0	(7,314)
Other Comprehensive Income and Expenditure	0	0	0	0	0	1,678	1,678
Total Comprehensive Income and Expenditure (per the CIES)	(7,314)	0	0	0	(7,314)	1,678	(5,636)
Adjustments between accounting and funding basis under regulations	(15,954)	0	(1,890)	(1,730)	(19,574)	19,574	0
Net increase or decrease before transfer to earmarked reserves	(23,268)	0	(1,890)	(1,730)	(26,888)	21,252	(5,636)
Transfer to/from Earmarked Reserves	23,268	(23,268)	0	0	0	0	0
Increase/Decrease during the year	0	(23,268)	(1,890)	(1,730)	(26,888)	21,252	(5,636)
Balance as at 31 March 2013 carried forward	(12,042)	(113,727)	(22,617)	(18,065)	(166,451)	(62,456)	(228,907)
Movements in Reserves during 2013/14							
(Surplus) or deficit on the provision of services	(25,485)	0	0	0	(25,485)	0	(25,485)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(650)	(650)
Total Comprehensive Income and Expenditure	(25,485)	0	0	0	(25,485)	(650)	(26,135)
Adjustments between accounting and funding basis under regulations	(6,334)	0	1,970	160	(4,204)	4,204	0
Net increase or decrease before transfer to earmarked reserves	(31,819)	0	1,970	160	(29,689)	3,554	(26,135)
Transfer to/from Earmarked Reserves	31,819	(30,949)	0	0	870	(870)	
Increase/Decrease during the year	0	(30,949)	1,970	160	(28,819)	2,684	(26,135)
Balance as at 31 March 2014 carried forward	(12,042)	(144,676)	(20,647)	(17,905)	(195,270)	(59,772)	(255,042)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2013-14 - GROUP

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. Police and Crime Commissioners raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement on Reserves Statement. The statement shows the net cost for the year presented by the objective headings specified in the Service Reporting Code of Practice (SeRCOP) and demonstrates how that cost has been financed from general Government Grants and income from local taxpayers. The statement now includes other recognised gains and losses of the PCCWM during the year showing total Comprehensive Income and Expenditure of the PCCWM and Group. The PCCWM has produced a subjective analysis of the net cost of General Fund services in note 26 to the Accounts.

2012-13 gross expenditure £'000 restated	2012-13 gross income £'000 restated	2012-13 net expenditure £'000 restated	GROUP	Notes	2013-14 gross expenditure £'000	2013-14 gross income £'000	2013-14 net expenditure £'000
270,550	(21,403)	249,147	Local Policing		269,283	(10,858)	258,425
57,514	(542)	56,972	Dealing with the Public		55,215	(13)	55,202
38,396	(5,883)	32,513	Criminal Justice Arrangements		40,432	(3,592)	36,840
22,456	(4,913)	17,543	Roads Policing		23,248	(4,736)	18,512
32,921	(5,332)	27,589	Specialist Operations		36,172	(6,410)	29,762
39,725	(1,630)	38,095	Intelligence		41,670	(2,243)	39,427
154,488	(5,055)	149,433	Investigation		157,745	(4,111)	153,634
15,961	(152)	15,809	Investigative Support		14,738	(3)	14,735
39,354	(35,675)	3,679	National Policing		44,955	(33,701)	11,254
743	0	743	Non Distributed Costs	37	722	0	722
2,992	(1,388)	1,604	Corporate and Democratic Core		2,912	(1,707)	1,205
675,100	(81,973)	593,127	Police Services Total		687,092	(67,374)	619,718
2,314	0	2,314	Levies to National Police Service		2,424	0	2,424
1,198	(1,198)	0	Seconded Officers		1,418	(1,418)	0
678,612	(83,171)	595,441	NET COST - GENERAL FUND SERVICES		690,934	(68,792)	622,142
146	0	146	Net (gain)/loss on disposal		1,423	0	1,423
3,075	0	3,075	Interest Payable and Similar Charges		3,034	0	3,034
	(2,262)	(2,262)	Interest and Investment Income		0	(1,439)	(1,439)
245,073		245,073	Pension Net Interest Cost	37	261,241	0	261,241
	(53,330)	(53,330)	Pensions Top Up Grant Receivable		0	(59,947)	(59,947)
926,906	(138,763)	788,143	NET OPERATING EXPENDITURE		956,632	(130,178)	826,454
0	(79,727)	(79,727)	Council Tax Payer		0	(82,768)	(82,768)
0	(252,896)	(252,896)	Police Grant		0	(275,346)	(275,346)
0	(4,060)	(4,060)	Revenue Support Grant		0	(0)	(0)
0	(209,457)	(209,457)	Non-Domestic Rates		0	(197,464)	(197,464)
0	(7,789)	(7,789)	Non-Specific Government Grants		0	(7,126)	(7,126)
926,906	(692,692)	234,214	(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES		956,632	(692,882)	263,750
		1,678	(Surplus)/Deficit on the revaluation of fixed assets				(650)
		819,134	Re-measurement of the net defined benefit liability				(385,559)
		820,812	Other Comprehensive Income and Expenditure				(386,209)
		1,055,026	Total Comprehensive Income and Expenditure				(122,459)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2013-14 – PCC (SINGLE ENTITY)

2012-13 gross expenditure £'000	2012-13 gross income £'000	2012-13 net expenditure £'000	PCC	Notes	2013-14 gross expenditure £'000	2013-14 gross income £'000	2013-14 net expenditure £'000
32,722	(2,367)	30,355	Local Policing		30,758	(8,049)	22,709
7,485	(542)	6,943	Dealing with the Public		5,135	(1)	5,134
4,272	(309)	3,963	Criminal Justice Arrangements		3,763	(336)	3,427
2,305	(167)	2,138	Roads Policing		2,162	(430)	1,732
3,625	(262)	3,363	Specialist Operations		3,364	(601)	2,763
5,005	(362)	4,463	Intelligence		3,950	(210)	3,740
19,633	(1,422)	18,211	Investigation		14,670	(2,588)	12,082
2,077	(150)	1,927	Investigative Support		1,370	0	1,370
483	(35)	448	National Policing		4,181	(3,157)	1,024
0	0	0	Non Distributed Costs	37	4	0	4
2,992	(1,389)	1,603	Corporate and Democratic Core		2,912	(1,707)	1,205
80,599	(7,005)	73,594	Total Cost of Services		72,269	(17,079)	55,190
2,314	0	2,314	Levies to National Police Service		2,424	0	2,424
0	0	0	Seconded Officers		0	0	0
82,913	(7,005)	75,908	NET COST - GENERAL FUND SERVICES		74,693	(17,079)	57,614
146	0	146	Net (gain)/loss on disposal		1,423	0	1,423
3,075	0	3,075	Interest Payable and Similar Charges		3,034	0	3,034
0	(2,262)	(2,262)	Interest and Investment Income		0	(1,439)	(1,439)
0	0	0	Pension Interest Cost and expected return on assets		0	0	0
0	0	0	Pensions Top Up Grant Receivable		0	0	0
86,134	(9,267)	76,867	NET OPERATING EXPENDITURE		79,150	(18,518)	60,632
0	(79,727)	(79,727)	Council Tax Payer		0	(82,768)	(82,768)
0	(252,896)	(252,896)	Police Grant		0	(275,346)	(275,346)
0	(4,060)	(4,060)	Revenue Support Grant		0	(0)	(0)
0	(209,457)	(209,457)	Non-Domestic Rates		0	(197,464)	(197,464)
0	(7,789)	(7,789)	Non-Specific Government Grants		0	(7,126)	(7,126)
86,134	(563,197)	(477,063)	(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES BEFORE FUNDING		79,150	(581,221)	(502,072)
469,749	0	469,749	PCC funding to the CC for financial resources consumed		476,586		476,586
555,883	(563,197)	(7,314)	(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES		555,736	(581,221)	(25,485)
1,678	0	1,678	(Surplus)/Deficit on the revaluation of fixed assets		0	(650)	(650)
1,678	0	1,678	OTHER COMPREHENSIVE INCOME AND EXPENDITURE		0	(650)	(650)
557,561	(563,197)	(5,636)	Total Comprehensive Income and Expenditure		555,736	(581,871)	(26,135)

GROUP AND PCC BALANCE SHEET 2013-14

	Notes	PCC as at 31 March 2013 £'000s	Group as at 31 March 2013 £'000s	PCC as at 31 March 2014 £'000s	Group as at 31 March 2014 £'000s
Operational Assets:					
Land and Buildings	8	91,685	91,685	88,323	88,323
Vehicles, Plant, Furniture and Equipment	8	18,852	18,852	13,611	13,611
Non Operational Assets: Assets Under Construction		135	135	1,856	1,856
Heritage Assets					
Intangible Assets: (Software)	12	4,037	4,037	2,167	2,167
		114,894	114,894	106,143	106,143
Long-term Investments		41,080	41,080	32,177	32,177
Long-term Debtors	16	0	0	1,940	1,940
Long-Term Assets		155,975	155,975	140,260	140,260
Short term investments	15	61,736	61,736	129,757	129,757
Inventory	19	1,069	1,069	876	876
Short Term Debtors	20	35,561	35,561	36,205	36,205
Assets held for sale (< 1 year)	22	167	167	825	825
Cash and Cash equivalents	21	70,741	70,741	42,529	42,529
Current Assets		169,275	169,275	210,192	210,192
Short-term borrowing		(1,028)	(1,028)	(975)	(975)
Bank Overdraft	21	0	0	(2,466)	(2,466)
Short-term Creditors	23	(34,258)	(34,258)	(31,373)	(31,373)
Accumulated Absences Creditor	25	0	(2,713)	0	(3,149)
Provisions	39	(2,050)	(2,050)	(2,050)	(2,050)
Current Liabilities		(37,336)	(40,049)	(36,864)	(40,013)
Capital Long-Term Borrowing	14	(59,006)	(59,006)	(58,546)	(58,546)
Pensions Liability		0	(6,060,791)	0	(5,964,031)
Long-Term Liabilities		(59,006)	(6,119,797)	(58,546)	(6,022,577)
Net Assets:		228,907	(5,834,597)	255,042	(5,712,138)
Usable Reserves:					
Usable Capital Receipts Reserve	6	(22,617)	(22,617)	(20,647)	(20,647)
Other Earmarked Reserves	7	(72,398)	(72,398)	(64,087)	(64,087)
General Fund Reserves	7	(12,042)	(12,042)	(12,042)	(12,042)
Budget Reserve	7	(28,330)	(28,330)	(70,492)	(70,492)
Redundancy and Equal Pay Reserve	7	(13,000)	(13,000)	(10,097)	(10,097)
Capital Grants Unapplied	6	(18,066)	(18,066)	(17,906)	(17,906)
Unusable Reserves:					
Capital Adjustment Account	25	(51,708)	(51,708)	(46,047)	(46,047)
Revaluation Reserve	25	(11,704)	(11,704)	(11,276)	(11,276)
Pensions Reserve	37	0	6,060,791	0	5,964,031
Deferred Capital Receipts		0	0	(1,940)	(1,940)
Financial Instrument Adjustment Account	25	565	565	0	0
Collection Fund Adjustment Account	25	392	392	(508)	(508)
Accumulated Compensated Absences Account	25	0	2,713	0	3,149
Total Reserves:		(228,907)	5,834,597	(255,042)	5,712,138

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

GROUP AND PCC CASHFLOW STATEMENT 2013-14

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

As at 31 March 2013		Note	As at 31 March 2014	
£'000	£'000		£'000	£'000
<u>Operating Activities</u>				
EXPENDITURE				
514,713			494,511	
87,206			100,385	
3,075			3,034	
604,993			597,930	
CASH OUTFLOWS GENERATED FROM OPERATING ACTIVITIES				
INCOME				
(79,727)			(82,767)	
(209,457)			(197,464)	
(4,060)			(0)	
(319,219)			(325,730)	
(446)			(825)	
(2,262)			(1,439)	
(31,595)			(24,681)	
(646,767)			(632,906)	
CASH INFLOWS GENERATED FROM OPERATING ACTIVITIES				
	(41,773)			(34,976)
Net cash flows from operating activities				
<u>Investing activities</u>				
EXPENDITURE				
8,513			10,680	
31,065			(8,904)	
0			(1,940)	
39,578			(164)	
CASH OUTFLOWS GENERATED FROM INVESTING ACTIVITIES				
INCOME				
(1,890)			(1,030)	
(18,820)			67,456	
(20,710)			66,426	
CASH INFLOWS GENERATED FROM INVESTING ACTIVITIES				
	18,868			66,262
Net cash flows from investing activities				
<u>Financing activities</u>				
418			(609)	
	418			(609)
Net cash flows from financing activities				
	(22,487)	46		30,677
	48,254	47		70,741
	70,741	47		40,064
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD				

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1. RE-STATEMENT OF COMPARATIVE FIGURES

(a) The status of the Chief Constable

Following the Police Reform and Social Responsibility Act 2011 West Midlands Police Authority was replaced on 22 November 2012 by 2 'corporation sole' bodies – The Police and Crime Commissioner for West Midlands (PCC) and the Chief Constable of West Midlands Police (CC).

The Police Reform and Social Responsibility Act 2011 did not permit Chief Constables to apply sections 21 and 22 of the Local Government Act 2003 (accounts) which would have allowed them to account for transactions in the same way as a Local Authority.

As a result, at the time of preparing the 2012-13 financial statement Chief Constables lacked the statutory powers to remove the notional debit and credit transactions for retirement benefits through an unusable reserve and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable, but unpaid at the year-end. This resulted in the Chief Constable having a financial guarantee which would be met with the transfer of funds from the Police and Crime Commissioner as – at this time the Chief Constable was not able to hold reserves.

Similarly, statutory provisions required the police fund to be charged with employee compensated absences which had been earned but not taken during the year. This included the value of annual leave entitlement and time owing carried forward as at 31st March 2013.

This charge is then reversed out through an unusable reserve in the Movement in Reserves Statement so that the accounting entries do not impact on the requirement to raise council tax. As the Chief Constable did not have Local Authority status at the time of producing the 2012-13 financial statements – the Chief Constable's Accumulated Absences Account was included in the accounts as a usable reserve.

Since the publication of the 2012/13 financial statements the status of the Chief Constable as an entity has changed. The Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 was laid before Parliament on 17 September 2013 and is effective from 31 March 2014. This order permits Chief Constables to apply Sections 21 and 22 of the Local Government Act 2003 (accounts) to their transactions which allows the entity to transact in the same way as a Local Authority.

As a result, the Chief Constables Pension Reserve and Accumulated Absences Account have been restated from a financial guarantee from the Police and Crime Commissioner to an unusable reserve. The establishment of an unusable reserve has resulted in the presentation of a Movement in Reserves Statement for the Chief Constable and a separate Movement in Reserves Statement for the PCC.

The change in status of the Chief Constable has required a restatement of the 2012-13 Movement in Reserves Statement and the Balance Sheet. The restatements are presented as an appendix to these accounting statements starting on page 97.

(b) IAS 19 Pensions changes

The International Accounting Standards Board (IASB) has amended International Accounting Standard (IAS) 19 'Employee Benefits'. The changes were introduced on 1 January 2013. This revised standard affects the 2013-14 financial statements as follows:

- Actuarial gains and losses have been renamed as 're-measurements on the defined benefit liability/asset' and are recognised immediately in the Balance Sheet with a corresponding charge (or credit) to the Comprehensive Income and Expenditure Statement in the period in which they occur. Re-measurements are made up of actuarial gains and losses on the defined benefit obligation, the difference between actual investment returns and the return implied by the net interest cost and the effect on the asset ceiling.

- Pension's interest costs are now calculated by applying the discount rate on the net defined benefit liability/asset, rather than on the expected return on the scheme assets. The reduction in this charge will be offset within re-measurements and there will be no impact on the Balance Sheet. A new net interest line is also required to be disclosed. This replaces the disclosure of the pension interest cost and expected return on assets.
- Past service costs are now recognised in the Comprehensive Income and Expenditure Statement in the period when an entity amends a benefit plan for services in prior periods, rather than allowing the entity to spread the cost over multiple periods.
- Liabilities for termination benefits incurred will now be recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises and related restructuring costs.
- Interest charges on current service costs are now charged with current service costs to the net cost of services, with a corresponding offset within the net pensions interest cost (within financing and investment income and expenditure).

Some additional disclosures have been added within the pension note to explain the characteristics of the defined benefit plans. These include a fuller analysis of assets held in the Local Government Pension Scheme and a sensitivity analysis to changes in the actuarial assumptions.

These changes have no overall impact on the General Fund Balance. These changes have resulted in some restatements to the CC and Group accounts. These restatements are shown in an appendix to these accounting statements starting on page 95.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 (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.

In May 2011 the International Accounting Standards Board (IASB) published a package of 5 new standards which set out new standards for consolidation, accounting for joint arrangements and disclosure of interests in other entities. These will be adopted within the CIPFA Code in 2014-15. The new standards are:

IFRS 10 Consolidated financial statements

IFRS 11 Joint arrangements

IFRS 12 Disclosure of interests in other entities

In addition, the following standards were revised and renamed:

IAS 27 (2011) Separate financial statements (previously consolidated and separate financial statements), and;
IAS 28 (2011) Investments in Joint Ventures and Associates (previously Investments in Associates).

The consolidation requirements that were previously included in IAS 27 (2008) and SIC-12 have been replaced and set out in a single standard IFRS 10. It is this standard which will impact on the Police and Crime Commissioners consolidated financial statements in 2014-15.

IFRS 10 states that control is the single basis for consolidation for all types of entities. The effect of adopting IFRS 10 will be limited because the PCC will continue to control the majority of the Chief Constable entities voting rights and wholly owns the Chief Constable entity for the benefit of itself and the group. The accounting requirements for IFRS 10 are the same as IAS 27 (2008) therefore the adoption of IFRS 10 is unlikely to have any impact on the financial statements in 2014-15 and the relationship between the parent (the PCCWM) and the subsidiary (the CCWMP) will remain the same.

IFRS 11 Joint arrangements and IFRS 12 Disclosure of interests in other entities are fully adopted by the CIPFA Code for accounting periods commencing on or after 01 April 2014. The Police and Crime Commissioner engages in a joint arrangement for the provision of motorway policing with his opposite numbers in Staffordshire and West Mercia and the provision of Legal Services with the Police and Crime Commissioner for Staffordshire. Both of these arrangements will be accounted for as joint operations in the same way as they are treated presently. Therefore these accounting standards will have no impact on the PCC or Chief Constable Accounts in 2014-15.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in the Statement of Accounts the PCCWM 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 the PCCWM has 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 PCCWM and the CCWMP 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. It has been determined that the Chief Constable controls and directs police officers, PCSOs's and the majority of police staff (excluding those staff directly employed by the PCC to manage his office), therefore all pay costs associated with these staff groups will be shown in the Chief Constables accounts. Pension costs for these groups of staff will be disclosed where the staffing costs are presented in line with IAS 19. The PCC has also made a judgement 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 related 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.
- It has been determined that the provision for the settlement of equal pay claims for which offers to settle have been made, brought against the former Police Authority shall be increased to £1.7m in 2013-14. This is thought to be prudent in relation to equal pay claims as a result of the claims that have been made, settled to date and those which may still be made by former and current colleagues.
- There remain uncertainties about the future financial settlement for 2015-16 and beyond concerning what the level of funding that the Commissioner will receive from Government and the limitations around future precept increases and impacts of Council Tax Benefits and Universal Credit changes.

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

The statement of Accounts contains estimated figures that are based on assumptions made by the Group 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 PCCWM and Group Balance Sheet as at 31 March 2014 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The uncertainty surrounding the future funding settlement makes it uncertain that the PCCWM will be able to support sufficient expenditure on repairs and maintenance to maintain properties effectively – bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £195K for every year that useful lives have to be reduced. The Net Book Value of Property, Plant and Equipment as at 31 March 2014 is £103.8m (£110.7m in 2012-13)
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 by the pension scheme. The PCC uses 2 firms of actuaries to provide the Group with expert advice about the assumptions to be applied to the Police Pension Schemes and the Local Government Pension Scheme.	The effects on the net pension liability of changes in individual assumptions can be measured but they interact in complex ways. The overall pension's liability as at 31 March 2014 is £5,964m (£6,061m in 2012-13). So, a very small percentage change in the overall liability can have a material impact on the accounts.
Collection Fund Bad Debt Provision	There is uncertainty around the amount of bad and doubtful debts that Billing Authorities declare on their collection fund balance sheets due to the ability of Local Authorities to recover all amounts owing to them. This is expected to become more significant following the introduction of localised council tax benefit.	Changes in the value of debts recovered will affect any surplus or deficit in the collection fund which results in a change to debtor and creditor balances within the PCCWM accounts. However, surpluses and deficits may be variable but they are unlikely to be material to the Group accounts overall. The combined bad debt provision for Billing Authorities at 31 March 2014 is £5.929m (5.110m in 2012-13)

5. EVENTS AFTER THE BALANCE SHEET DATE

As at 1 April 2014, the PCCWM and CCWMP commenced a transfer of people from the PCCWM to the Chief Constable. This was part of the stage 2 transfer under the Police Reform and Social Responsibility Act 2011.

The 2 entities now operate a joint scheme of corporate governance which provides a framework which ensures business is carried out lawfully and efficiently, ensuring that decisions are not unnecessarily delayed and are taken at the appropriate level. This scheme is designed to:

- Set out in detail the terms on which the respective functions of the PCC and CC will be exercised, in order to comply with the Police Reform and Social Responsibility Act 2011('the Act'), the Policing Protocol Order 2011 and all other legislation and achieve the objectives set out in the PCC's Police and Crime Plan;
- Set out the extent and any associated conditions attaching to the PCC's consent to the Chief Constable's exercise of the powers to enter into contracts and acquire or dispose of assets, excluding land and property.
- Set out the extent and details attaching to the delegations to their staff and officers which the PCC and CC can exercise.

All Police officers, PCSO's and staff with the exception of those staff within the Office for Policing and Crime moved to the CCWMP and reside under his direction and control. A number of provisions in relation to the use and ownership of assets have also been agreed as part of the stage 2 transfer. This will impact on the Comprehensive Income and Expenditure Statement and Balance Sheet of both the PCCWM and the CCWMP when their accounts are produced at the end of the 2014-15 financial year.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments within the Movement in Reserves Statement that are made to Total Comprehensive Income and Expenditure recognised by the PCCWM in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as available to the PCCWM to meet future capital and revenue expenditure.

2013-14 Group	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non current assets	(12,886)			(12,886)	12,886
Revaluation losses on Property, Plant and Equipment	(131)			(131)	131
Amortisation of intangible assets	(2,387)			(2,387)	2,387
Capital grants and contributions applied	7,286			7,286	(7,286)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to the CIES	(4,390)			(4,390)	4,390
de-minimis capital purchases	(266)			(266)	266
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment (MRP)	1,587			1,587	(1,587)
Capital expenditure charged against the general fund balance	430			430	(430)
Voluntary provision above MRP	418			418	(418)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	7,126		(7,126)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(7,286)		7,286	0	0
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,030	(1,030)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		3,000		3,000	(3,000)
ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,940			1,940	(1,940)
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	295			295	(295)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(367,745)			(367,745)	367,745
Employers pensions contributions and direct payments to pensioners payable in the year	78,946			78,946	(78,946)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	900			900	(900)
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT					
Amount by which officers remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(436)			(436)	436
TOTAL ADJUSTMENTS	(295,569)	1,970	160	(293,439)	293,439

2012-13 Group	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account					
Charges for depreciation and impairment of non current assets	(16,831)			(16,831)	16,831
Revaluation losses on Property, Plant and Equipment	(8,242)			(8,242)	8,242
Amortisation of intangible assets	(2,595)			(2,595)	2,595
Capital grants and contributions applied	6,054			6,054	(6,054)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,033)			(2,033)	2,033
de-minimis capital purchases	(634)			(634)	634
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account					
Statutory provision for the financing of capital investment (MRP)	2,109			2,109	(2,109)
Capital expenditure charged against the general fund balance	2,315			2,315	(2,315)
Voluntary provision above MRP	381			381	(381)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	7,784		(7,784)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(6,054)		6,054	0	0
				0	
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,890	(1,890)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure				0	0
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals				0	0
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	231			231	(231)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(323,238)			(323,238)	323,238
Employers pensions contributions and direct payments to pensioners payable in the year	81,078			81,078	(81,078)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(329)			(329)	329
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	633			633	(633)
TOTAL ADJUSTMENTS	(257,481)	(1,890)	(1,730)	(261,101)	261,101

2013-14 PCC	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non current assets	(12,886)			(12,886)	12,886
Revaluation losses on Property, Plant and Equipment	(131)			(131)	131
Amortisation of intangible assets	(2,387)			(2,387)	2,387
Capital grants and contributions applied	7,286			7,286	(7,286)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to the CIES	(4,390)			(4,390)	4,390
de-minimis capital purchases	(266)			(266)	266
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment (MRP)	1,587			1,587	(1,587)
Capital expenditure charged against the general fund balance	430			430	(430)
Voluntary provision above MRP	418			418	(418)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	7,126		(7,126)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(7,286)		7,286	0	0
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,030	(1,030)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		3,000		3,000	(3,000)
ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,940			1,940	(1,940)
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	295			295	(295)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0			0	0
Employers pensions contributions and direct payments to pensioners payable in the year	0			0	0
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	900			900	(900)
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	0			0	0
TOTAL ADJUSTMENTS	(6,334)	1,970	160	(4,204)	4,204

2012-13 PCC	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account					
Charges for depreciation and impairment of non current assets	(16,831)			(16,831)	16,831
Revaluation losses on Property, Plant and Equipment	(8,242)			(8,242)	8,242
Amortisation of intangible assets	(2,595)			(2,595)	2,595
Capital grants and contributions applied	6,054			6,054	(6,054)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,033)			(2,033)	2,033
de-minimis capital purchases	(634)			(634)	634
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account					
Statutory provision for the financing of capital investment (MRP)	2,109			2,109	(2,109)
Capital expenditure charged against the general fund balance	2,315			2,315	(2,315)
Voluntary provision above MRP	381			381	(381)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	7,784		(7,784)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(6,054)		6,054	0	0
				0	
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,890	(1,890)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure				0	0
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals				0	0
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	231			231	(231)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0			0	0
Employers pensions contributions and direct payments to pensioners payable in the year	0			0	0
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(329)			(329)	329
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	0			0	0
TOTAL ADJUSTMENTS	(15,954)	(1,890)	(1,730)	(19,574)	19,574

7. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amount set aside from the General Fund in the PCC's Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2013-14.

	Balance at 31 March 2012	Trf to reserves in 2012-13	Trf from reserves in 2012-13	Balance at 31 March 2013	Trf to reserves in 2013-14	Trf from reserves in 2013-14	Trf between reserves in 2013-14	Balance at 31 March 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital	(10,400)	(30,000)	0	(40,400)	0	600	0	(39,800)
Budget reserve	(33,035)	(25,295)	30,000	(28,330)	(26,887)	2,524	(17,799)	(70,492)
Redundancy and Equal pay reserve	(13,000)	0	0	(13,000)	(6,097)	0	9,000	(10,097)
Self funded insurance	(12,977)	(2,506)	3,977	(11,506)	(2,506)	3,909	(2,897)	(13,000)
Devolved Budget	(8,473)	(343)	1,329	(7,487)	(4,004)	1,336	7,702	(2,453)
Uniform and protective equipment reserve	(6,068)	(429)	0	(6,498)	(429)	1,417	2,510	(3,000)
Mobile Data project reserve	(2,599)	0	0	(2,599)	0	0		(2,599)
Major incidents	(2,153)	0	0	(2,153)	0	0		(2,153)
Football overtime	(784)	0	0	(784)	0	0	784	0
PoCA income reserve	0	0	0	0	(1,082)	0	0	(1,082)
Helicopter	(400)	0	0	(400)	0	0	400	0
Restructuring	(300)	0	0	(300)	0	0	300	0
Financial Instrument impairment reserve	(270)	0	0	(270)	0	270	0	0
Earmarked Reserves	(90,459)	(58,573)	35,306	(113,728)	(41,005)	10,056	0	(144,676)
General Fund Reserves	(12,042)	0	0	(12,042)	0	0	0	(12,042)

The Capital reserve shown in the table above will be used to fund capital expenditure identified in the PCCWM capital programme.

£45m of the Budget reserve will be used to support the medium term financial plan, with the remainder being held as a contingency to provide the estimated savings required for a full financial year in response to likely future reductions in funding.

NOTES TO THE BALANCE SHEET

8 PROPERTY, PLANT AND EQUIPMENT – MOVEMENT ON BALANCES

Movements in 2013-14

	Land and Buildings £'000	Vehicles, plant, furniture and equipment £'000	Assets under construction £'000	Total Property, Plant and Equipment £'000
Cost or valuation at 31 March 2013	114,850	86,123	135	201,108
Additions in year	2,322	6,711	1,725	10,758
Transfers between categories	(930)	0	0	(930)
De Minimis	(1)	(235)	0	(236)
Disposals in year	(14,114)	(15,406)	0	(29,520)
Revaluation Gains in year	90	0	0	90
Revaluation Losses in year	(335)	0	0	(335)
Impairments in year	0	0	(4)	(4)
Cost or valuation at 31 March 2014	101,882	77,193	1,856	180,931
Accumulated Depreciation at 31 March 2013	23,166	67,271	0	90,437
Depreciation charge in year	4,786	8,097	0	12,883
Transfers between categories	(105)	0	0	(105)
Depreciation written out on revaluation	(567)	0	0	(567)
Depreciation written out on revaluation loss	(198)	0	0	(198)
Depreciation written out on impairment	0	0	0	0
Disposals in year	(13,522)	(11,786)	0	(25,308)
Accumulated depreciation at 31 March 2014	13,560	63,582	0	77,142
Net Book Value at 31 March 2014	88,322	13,611	1,856	103,789
Net Book Value at 31 March 2013	91,684	18,852	135	110,671

Interim valuations in 2013/14 were conducted on 20% of the Property Portfolio. These assets were valued at Fair Value based on Existing Use Value.

Management have reviewed the carrying values of assets as at 31 March 2014 and are satisfied that they are not materially misstated.

Comparative Movements in 2012-13

	Land and Buildings £'000	Vehicles, plant, furniture and equipment £'000	Assets under construction £'000	Total Property, Plant and Equipment £'000
Cost or valuation at 31 March 2012	128,968	84,789	4	213,761
Additions in year	314	7,019	131	7,464
Transfers between categories	(160)	0	0	(160)
De Minimis	5	(590)	0	(585)
Disposals in year	(1,233)	(5,095)	0	(6,328)
Revaluation Gains in year	170	0	0	170
Revaluation Losses in year	(13,214)	0	0	(13,214)
Impairments in year	0	0	0	0
Cost or valuation at 31 March 2013	114,850	86,123	135	201,108
Accumulated Depreciation at 31 March 2012	19,740	62,054	0	81,794
Depreciation charge in year	6,660	10,171	0	16,831
Transfers between categories	(23)	0	0	(23)
Depreciation written out on revaluation	(826)	0	0	(826)
Depreciation written out on revaluation loss	(2,267)			(2,267)
Depreciation written out on impairment	0	0		0
Disposals in year	(118)	(4,954)		(5,072)
Accumulated depreciation at 31 March 2013	23,166	67,271	0	90,437
Net Book Value at 31 March 2013	91,684	18,852	135	110,671
Net Book Value at 31 March 2012	109,228	22,735	4	131,967

9. HERITAGE ASSETS

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

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

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

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

10. FUTURE CAPITAL COMMITMENTS

The outstanding commitment for the construction of the Western Custody block in Oldbury at 31 March 2014 was £12.8m.

Two additional projects – a Central Custody block in Birmingham and the refurbishment of Lloyd House have not yet exchanged construction contracts in relation to the commencement of this work as at 31 March 2014.

The refurbishment of Lloyd House is part of an estates strategy for Birmingham city centre which is expected to cost £30.9m over a 3 year period. The total Custody project for both blocks is expected to cost £34.6m. These projects will be funded from capital grants and reserves, thus there will be no requirement for the PCCWM to borrow funds to support these projects.

11. STATEMENT OF PHYSICAL ASSETS

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

	31 March 13	31 March 14
Operational Police Stations	39	40
Beat Offices	51	48
Police Administrative Buildings	5	5
Police Houses	28	24
Stand alone Radio Aerials	2	2
Garages	1	1
Training Centres	4	4
Other Property	38	37

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

Other minor assets include equipment and vehicles, although these are too numerous to list individually. In future years the numbers of such assets will diminish greatly, as present policy is to classify the majority of such items as revenue rather than capital when their purchase cost is less than £5,000.

12. INTANGIBLE ASSETS

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

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

	2012-13			2013-14		
	Internally generated assets £'000	Other Assets £'000	Total £'000	Internally generated assets £'000	Other assets £'000	Total £'000
<u>Balance at start of year</u>						
Gross carrying amounts	0	14,679	14,679	0	15,533	15,533
Accumulated amortisation	0	8,901	8,901	0	11,496	11,496
Net carrying amount at start of year	0	5,778	5,778	0	4,037	4,037
<u>Additions</u>						
Internal Development	0	0	0	0	0	0
Purchases	0	904	904	0	557	557
Disposals in year	0	0	0	0	(10)	(10)
Amortisation for the period	0	(2,595)	(2,595)	0	(2,386)	(2,386)
Transfer between categories	0	0	0	0	0	0
De Minimis	0	(50)	(50)	0	(31)	(31)
Net carrying amount at the end of the year						
<u>Comprising:</u>						
Gross carrying amounts	0	15,533	15,533	0	15,058	15,058
Accumulated amortisation	0	11,496	11,496	0	12,891	12,891
	0	4,037	4,037	0	2,167	2,167

13. FINANCIAL INSTRUMENTS

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

	Long Term at 31 March 2013 £'000	Long Term at 31 March 2014 £'000	Current at 31 March 2013 £'000	Current at 31 March 2014 £'000
Financial Liabilities at amortised cost	59,006	58,546	1,028	975
Total Borrowings	59,006	58,546	1,028	975
Loans and receivables	41,080	32,117	125,977	172,286*
Total Investments	41,080	32,117	125,977	172,286

*Included with this figure is the amount of £42.5m representing investments with a maturity of less than 1 month. These are classified as cash equivalents. (See note 21)

14. LONG TERM BORROWING

Transactions undertaken during the year were as shown below:

	31 March 13 £'000	31 March 14 £'000
Opening Balance	(59,424)	(59,006)
External Loans Raised in Year	0	0
Loans Repaid in Year	418	460*
Closing Balance	(59,006)	(58,546)

*principal repayments due in 2014/15 classed as short term borrowing

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

	31 March 13 £'000	31 March 14 £'000
Public Works Loan Board	(49,167)	(49,167)
W.M.C.C. Debt	(9,771)	(9,314)
Birmingham City Council	(68)	(65)
Total	(59,006)	(58,546)

The Public Works Loan Board advise that they have calculated the fair value of our PWLB borrowing as £63.2m as at 31 March 2013 and £59.1m as at 31 March 2014.

The fair value of West Midlands County Council debt has been calculated as £11.4m as at 31 March 2014.

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

The sources of short term borrowing are shown below:

	31 March 13	31 March 14
	£'000	£'000
PWLB accrued interest	610	515
W.M.C.C principal repayment	415	457
Birmingham City Council principal repayment	3	3
	1,028	975

These borrowings are repayable as follows:

	31 March 13	31 March 14
	£'000	£'000
Maturity within 5 years	5,160	5,318
Maturity within 6 to 10 years	10,474	11,682
Maturity within 11 to 15 years	8,576	6,699
Maturity in 15 or more years	35,824	35,822
Total	60,034	59,521

15. LONG AND SHORT TERM INVESTMENTS

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

	31 March 13	31 March 14
	£'000	£'000
Short Term Investments (Banks, Building Societies, Local Authority)	125,977	172,286*
Long Term Investments	41,080	32,177
Total	167,057	204,463

*Included with this figure is the amount of £42.5m representing investments with a maturity of less than 1 month. These are classified as cash equivalents. (See note 21)

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

16. LONG TERM DEBTORS

In 2013/14 a new long term debtor was formed when the Force Helicopter was transferred to the National Police Air Service. The PCCWM will receive payments for the Asset annually until 2024/25.

	31 March 13	31 March 14
	£'000	£'000
NPAS	0	1,940
Total	0	1,940

17. MANAGEMENT OF RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

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

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

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

Foreign Exchange risk – the potential that financial loss might arise as a result of changes in exchange rates because the PCC had foreign exchange exposure, for example, resulting from an element of the settlement received from Landsbanki. The PCCWM no longer has any foreign investments.

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

Credit Risk

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

The PCC's policy for 2013/14 was to not lend more than £30m to an individual counterparty with a high credit rating. Individual limits for value and duration are applied to each approved counterparty based on their overall credit rating.

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

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

	Amount at 31 March 2014	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2014	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2013	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2014
	£'000	%	%	£'000	£'000
Deposits with Financial Institutions	204,463	0.15	1.00	1,745	1,995

Given that several institutions meeting our minimum credit rating criteria defaulted in 2008/09 (see note 18) it is important to note the estimated maximum exposure to default and uncollectability figure. Other than the information following there are no indications that any losses will arise from non-performance by the PCC's current approved counterparties.

Liquidity Risk

As the PCCWM has ready access to borrowings from the Public Works Loans Board there is no significant risk that there will be an inability to raise finance to meet commitments under financial instruments. Instead the risk is that the PCC will be required to take up borrowing at a time of unfavourable interest rates (see market risk). The maturity analysis of financial liabilities is shown in note 14.

Refinancing and Maturity Risk

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

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual 31 March 2013	Actual 31 March 2014
	%	%	£'000	£'000
Under 12 months	25	0	1,028	975
12 months and within 24 months	25	0	460	3,062
24 months and within 5 years	50	0	3,672	2,569
5 years and within 10 years	75	0	10,474	13,781
10 years and above	100	25	44,400	39,134
Total			60,034	59,521

Market Risk

Interest Rate Risk

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

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

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

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

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

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

Price Risk

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

Foreign Currency Risk

As at the 31st of March 2014 the PCCWM has no financial assets denominated in foreign currencies. Income received will be banked immediately and converted using the exchange rate at the time of banking. The PCC has no other exposure to loss arising from movements in exchange rates..

18. DISCLOSURE NOTE ON ICELANDIC INVESTMENTS

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

Bank	Principal £'000	Date Invested	Interest Rate
Landsbanki	2,000	08-Sep-08	5.51%
Landsbanki	2,400	19-Sep-08	5.88%
Landsbanki	1,000	29-Sep-08	6.05%
Total	5,400		

The title to these investments passed to the PCCWM and they were included in the current assets figure in the balance sheet.

Having recovered approximately a third of the original investments over the last five years, the opportunity arose in January 2014 to sell, via auction, all the outstanding balances including the Icelandic Kroner held in escrow. With support from the Local Government Association, and their legal representatives, the majority of Landsbanki public sector investors were able to recover a significant proportion of their original investment. Consequently, the Landsbanki investments have been written out of the 2013/14 accounts. The net loss of £0.2m has been charged to the Comprehensive Income and Expenditure Statement.

19. INVENTORIES

The value of inventory held by the PCCWM is disclosed in the following table:

	Vehicle parts and fuel		Uniforms, Stationary and Reprographics		Total	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01 April 2013	600	369	865	700	1,465	1,069
Purchases	3,372	904	1,014	2,482	4,386	3,386
Recognised as an expense in year	(3,603)	(1,102)	(1,179)	(2,477)	(4,782)	(3,579)
Balance as at 31 March 2014	369	171	700	705	1,069	876

20. SHORT TERM DEBTORS

	31 March 2013	31 March 2014
	£'000	£'000
Central Government Bodies	20,953	22,071
Other Local Authorities	9,295	10,038
NHS Bodies	607	31
Public Corporations and Trading Funds	0	1
Other entities and individuals	4,706	4,064
Total	35,561	36,205

21. CASH AND CASH EQUIVALENTS

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

	31 March 2013	31 March 2014
	£'000	£'000
Cash held by the PCCWM	324	351
Bank Current Accounts	6,176	(2,817)
Short term deposits with financial institutions	64,241	42,530
Total	70,741	40,064

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

22. ASSETS HELD FOR SALE

	Non Current	
	2012-13 £'000	2013-14 £'000
Balance outstanding at start of year	777	167
<i>Assets newly qualified as held for sale:</i>		
Property, plant and equipment	137	825
Revaluation losses	0	0
Revaluation gains	30	0
<i>Assets declassified as held for sale:</i>		
Property, plant and equipment	0	0
Assets sold	(777)	(167)
Transfers from non current to current assets	0	0
Total	167	825

23. SHORT TERM CREDITORS

	31 March 2013	31 March 2014
	£'000	£'000
Central Government Bodies	9,905	6,806
Other Local Authorities	8,792	10,129
NHS Bodies	0	77
Public Corporations and Trading Funds	88	63
Other entities and individuals	15,473	14,298
Total	34,258	31,373

24. USABLE RESERVES

Movements in the Groups usable reserves are detailed in the Movement in Reserves Statement and Note 6.

25. UNUSABLE RESERVES

	31 March 2013 £'000	31 March 2014 £'000
Revaluation Reserve	(11,704)	(11,276)
Capital Adjustment Account	(51,707)	(46,047)
Financial Instrument Adjustment Account	565	0
Pensions Reserve	6,060,791	5,964,031
Deferred Capital Receipts reserve	0	(1,940)
Collection Fund Adjustment Account	392	(508)
Accumulated Absences Account	2,713	3,149
Total	6,001,050	5,907,409

Revaluation Reserve

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

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

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

	2012-13 £'000	2013-14 £'000
Balance at 1 April	(10,861)	(11,704)
Adjustment to opening balance	(3,756)	(0)
Upward revaluation of assets	(1,026)	(657)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	2,705	7
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(2,077)	(650)
Difference between fair value depreciation and historical cost depreciation	634	697
Accumulated gains on assets sold or scrapped	600	381
Amount written off to the Capital Adjustment Account	1,234	1,078
Balance as at 31 March	(11,704)	(11,276)

The adjustment to the opening balance relates to a correction of depreciation which was not credited to the Revaluation Reserve from the Capital Adjustment Account in previous years.

Capital Adjustment Account

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

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

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

	2012-13 £'000	2013-14 £'000
Balance at 1 April	(73,707)	(51,707)
Adjustment to Revaluation Reserve	3,756	0
<i>Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	16,196	12,189
Revaluation losses on Property, Plant and Equipment	8,242	131
Amortisation of intangible assets	2,595	2,386
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	1,434	4,009
	28,467	18,715
Adjusting amounts written out	635	266
Net written out amount of the cost of non current assets consumed in the year	29,102	18,981
<i>Capital financing applied in year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(3,000)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,443)	(1,436)
Application of grants to capital financing from the Capital Grants Unapplied Account	(4,610)	(5,850)
Statutory provision for the financing of capital investment charged against the General Fund balance	(2,109)	(1,587)
Voluntary Provision for the repayment of debt	(381)	(418)
Capital expenditure charged against the General Fund balance	(2,315)	(1,030)
Balance as at 31 March	(51,707)	(46,047)

Financial Instrument Adjustment Account

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

	2012-13 £'000	2013-14 £'000
Balance at 1 April	796	565
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	(295)
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0	0
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(231)	(270)
Balance as at 31 March	565	0

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 Group 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 Group 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 Group 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 2013 £'000	31 March 2014 £'000
Balance at 1 April	4,999,497	6,060,791
Remeasurements of the net defined benefit liability or asset	819,134	(385,559)
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	323,238	367,745
Employers' pensions contributions and direct payments to pensioners payable in the year	(81,078)	(78,946)
Balance as at 31 March	6,060,791	5,964,031

Collection Fund Adjustment Account

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

	31 March 2012 £'000	31 March 2013 £'000
Balance at 1 April	63	392
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	329	(900)
Balance at 31 March	392	(508)

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 Group to pay outstanding compensating absences.

	2012-13 £'000	2013-14 £'000
Balance at 1 April	3,347	2,713
Settlement or cancellation of accrual made at the end of the previous year	0	0
Amounts accrued at the end of the current year	3,347	2,713
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	(634)	436
Balance at 31 March	2,713	3,149

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

26. SUBJECTIVE ANALYSIS OF THE NET COST OF POLICE SERVICES

2012-13 PCC Outturn (re- stated) £'000	2012-13 Group Outturn (re- stated) £'000		2013-14 PCC Outturn £'000	2013-14 Group Outturn £'000
0	442,076	Police Pay and Allowances	0	458,031
1,428	122,363	Police Staff and PCSO Pay and Allowances	1,178	124,333
1,251	4,217	Other Employee Expenses	1,054	3,425
2,679	568,656	Sub Total Employee Costs	2,232	585,789
17,938	20,685	Premises Related Costs	17,838	21,095
8,565	11,466	Transport/Travel Costs	7,990	10,520
23,419	43,201	Supplies & Services	29,234	51,447
2,654	6,202	Agency Expenses	2,632	6,597
27,658	27,658	Capital Financing Costs	14,764	14,764
82,913	677,868	TOTAL GROSS EXPENDITURE	74,689	690,212
(7,005)	(83,171)	External Income	(17,079)	(68,792)
0	743	Non-Distributed Costs	4	722
75,908	595,440	NET COST - GENERAL FUND SERVICES	57,614	622,142

The subjective analysis in the table above shows the cost of the staff in the Office for Policing and Crime who are under the direction and control of the PCC. Additionally the premises costs, transport/travel costs and supplies and services costs represent the non-pay related costs in these areas which are under the direction and control of the PCC and include costs relating to buildings, equipment and vehicles.

All capital financing costs are shown as costs of the PCC as this entity controls the capital financing decisions of the Group.

The increase in pay and allowances for the group between 2012-13 and 2013-14 is due to current service pension costs which have increased by £35.4m. These are offset by a reduction in real salary costs of £16m due to a reduction in the size of the workforce.

Capital financing expenditure has been reduced significantly as the losses on the revaluation of non-current assets were £8m less than in 2012-13. Additionally the depreciation charge on the PCC's assets was £4m lower than in 2012-13.

The group's external income has reduced by £14.4m in 2013-14. This is because the Government Grant for Community Support Officers and been subsumed into the general police grant.

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by police service on the face of the Comprehensive Income and Expenditure Statement is that specified by the 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 on the balance in the Revaluation Reserve are charged to police services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service costs of benefits accrued in the year.

The information presented to the Chief Officers and PCC for the year ending 31 March 2014 is as follows:

	ACC Crime, PPU & Intelligence Portfolio £000s	ACC Local Policing Portfolio £000s	ACC Operations Portfolio £000s	ACC Security £000s	Chief Information Officer Portfolio £000s	Deputy Chief Constable Portfolio £000s	Director of Resources Portfolio £000s	West Midland Office for Policing and Crime £000s	Other £000s	Total £000s
Fees, Charges & Other Income	(5,499)	(498)	(12,712)	(692)	(1,602)	(231)	(2,498)	0	(98,102)	(121,834)
Government Grant	0	0	(1,473)	(27,989)	0	0	0	(8,676)	0	(38,138)
Total Income	(5,499)	(498)	(14,185)	(28,681)	(1,602)	(231)	(2,498)	(8,676)	(98,102)	(159,972)
Employee Expenses	129,297	137,900	102,999	72,536	7,544	7,569	25,858	1,269	107,630	592,602
Other Operating Expenses	5,797	659	11,431	10,039	13,009	2,653	32,927	9,421	6,563	92,499
Total Operating Expenses	135,094	138,559	114,430	82,575	20,553	10,222	58,785	10,690	114,193	685,101
Contribution to / from Reserves	0	0	0	0	0	0	0	0	31,541	31,541
Net Expenditure	129,595	138,061	100,245	53,894	18,951	9,991	56,287	2,014	47,632	556,670

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2013-14 £000s
Cost of Services in Service Analysis (as above)	556,670
Add services not included in main analysis	55,375
Add amounts not reported to management	183,044
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(172,947)
Add Corporate Amounts	(744,601)
Net cost of Services in the Comprehensive Income and Expenditure Statement	(122,459)

2013-14

Reconciliation to Subjective Analysis	Service Analysis £000s	Treated as Corporate Amount £000s	Not reported to mgmt £000s	Not included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(121,834)	59,947	(372)	33,715	(28,544)	0	(28,544)
Interest and investment income	0	0	0	0	0	(1,439)	(1,439)
Top Up Grant	0	0	0	0	0	(59,947)	(59,947)
Government grants and contributions	(38,138)	0	(117)	0	(38,255)	0	(38,255)
Total Income	(159,972)	59,947	(489)	33,715	(66,799)	(61,386)	(128,185)
					0		
Employee expenses	592,602	0	166,079	(171,827)	586,854	0	586,854
Other operating expenses	92,499	(1,681)	17,454	(3,294)	104,978	0	104,978
Financing Provision	0	(2,891)	0	0	(2,891)	0	(2,891)
Pension & Interest costs	0	0	0	0	0	261,241	261,241
Interest Payments	0	0	0	0	0	3,034	3,034
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	1,423	1,423
Total operating expenses	685,101	(4,572)	183,533	(175,121)	688,941	265,698	954,639
Contribution to / from Reserves	31,541	0	0	(31,541)	0	0	0
Net Operating Expenditure	556,670	55,375	183,044	(172,947)	622,142	204,312	826,454
Council Tax Payer	0	0	0	0	0	(82,768)	(82,768)
Police Grant (including Rule 2)	0	0	0	0	0	(275,346)	(275,346)
Revenue Support Grant	0	0	0	0	0	0	0
Non-Domestic Rates	0	0	0	0	0	(197,464)	(197,464)
Non-Specific Government Grants	0	0	0	0	0	(7,126)	(7,126)
(Surplus)/Deficit for the year	556,670	55,375	183,044	(172,947)	622,142	(358,392)	263,750
Collection fund adjustment from previous year	0	0	0	0	0	0	0
Surplus/deficit on the revaluation of fixed assets	0	0	0	0	0	(650)	(650)
Actuarial (gains)/losses on pension fund assets and liabilities	0	0	0	0	0	(385,559)	(385,559)
Collection fund adjustment account	0	0	0	0	0	0	0
Total Comprehensive Income & Expenditure	556,670	55,375	183,044	(172,947)	622,142	(744,601)	(122,459)

The information presented to the Chief Officers and PCC for the year ending 31 March 2013 is as follows:

	ACC Crime, PPU & Intel Portfolio £000s	ACC Local Policing's Portfolio £000s	ACC Operations Portfolio £000s	ACC Security £000s	Chief Information Officer's Portfolio £000s	Deputy Chief Constable Portfolio £000s	Director of Resources' Portfolio £000s	West Midlands Office for Policing and Crime £000s	Other £000s	Total £000s
Fees, Charges & Other Income	(4,892)	(841)	(20,734)	(878)	(1,573)	(365)	(1,875)	0	(91,323)	(122,481)
Government Grant	0	0	(1,428)	(27,093)	0	0	0	(1,389)	(15,904)	(45,813)
Total Income	(4,892)	(841)	(22,161)	(27,971)	(1,573)	(365)	(1,875)	(1,389)	(107,227)	(168,294)
Employee Expenses	146,687	135,733	112,419	74,752	8,135	11,401	14,665	1,123	99,801	604,716
Other Operating Expenses	9,563	1,022	11,761	7,660	13,062	2,281	30,884	1,958	7,890	86,081
Total Operating Expenses	156,250	136,755	124,180	82,413	21,197	13,682	45,549	3,080	107,691	690,797
Contribution to / from Reserves	0	0	0	0	0	0	0	0	23,967	23,967
Net Expenditure	151,368	136,916	102,019	54,442	19,624	13,317	43,674	1,692	24,430	546,470

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2012-13 £000s
Cost of Services in Service Analysis (as above)	546,470
Add services not included in main analysis	52,214
Add amounts not reported to management	159,414
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(163,094)
Add Corporate Amounts	459,942
Net cost of Services in the Comprehensive Income and Expenditure Statement	1,055,026

2012-13

Reconciliation to Subjective Analysis	Service Analysis £000s	Treated as Corporate Amount £000s	Not reported to mgt £000s	Not included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(122,481)	53,330	(373)	32,200	(37,324)	0	(37,324)
Interest and investment income	0	0	0	0	0	(2,262)	(2,262)
Top Up Grant	0	0	0	0	0	(53,330)	(53,330)
Government grants and contributions	(45,813)	0	(34)	0	(45,847)	0	(45,847)
Total Income	(168,294)	53,330	(407)	32,200	(83,171)	(55,591)	(138,763)
Employee expenses	604,716	0	129,394	(165,783)	568,327	0	568,327
Other operating expenses	86,081	(1,116)	30,508	(5,545)	109,928	0	109,928
Financing Provision	0	0	0	0	0	0	0
Pension & Interest costs	0	0	0	0	0	242,075	242,075
Interest Payments	0	0	0	0	0	3,075	3,075
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	146	146
Total operating expenses	690,797	(1,116)	159,902	(171,327)	678,255	245,297	923,551
Contribution to / from Reserves	23,967	0	0	(23,967)	0	0	0
Net Operating Expenditure	546,470	52,214	159,494	(163,094)	595,084	189,706	784,789
Council Tax Payer	0	0	0	0	0	(79,727)	(79,727)
Police Grant (including Rule 2)	0	0	0	0	0	(252,896)	(252,896)
Revenue Support Grant	0	0	0	0	0	(4,060)	(4,060)
Non-Domestic Rates	0	0	0	0	0	(209,457)	(209,457)
Non-Specific Government Grants	0	0	0	0	0	(7,789)	(7,789)
(Surplus)/Deficit for the year	546,470	52,214	159,494	(163,094)	595,084	(364,224)	230,860
Collection fund adjustment from previous year	0	0	0	0	0	0	0
Surplus/deficit on the revaluation of fixed assets	0	0	0	0	0	1,678	1,678
Actuarial (gains)/losses on pension fund assets and liabilities	0	0	0	0	0	822,488	822,488
Collection fund adjustment account	0	0	0	0	0	0	0
Total Comprehensive Income & Expenditure	546,470	52,214	159,494	(163,094)	595,084	459,942	1,055,026

28. AGENCY EXPENDITURE

	PCC 31 March 2013 £'000	Group 31 March 2013 £'000	PCC 31 March 2014 £'000	Group 31 March 2014 £'000
Forensic Provision	0	2,098	0	2,056
National Policing Improvement Agency	1,546	1,546	2,234	2,234
National Ballistics Intelligence Service	0	550	0	502
Other agency expenditure	1,108	2,008	397	1,805
Total agency expenditure	2,654	6,202	2,631	6,597

Agency expenditure is included within the net cost of policing services (see note 26) in the group accounts. Agency expenditure in the Chief Constable's accounts excludes levies and some support costs.

29. EMPLOYEE REMUNERATION

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

2012-13 Police officers	2012-13 Police staff	2012-13 Total	Earnings Band	2013-14 Police Officers	2013-14 Police Staff	2013-14 Total
7,415	4,436	11,851	Less than £49,999	6,814	4,036	10,850
263	12	275	£50,000 - £54,999	260	14	274
198	12	210	£55,000 - £59,999	153	10	163
33	7	40	£60,000 - £64,999	31	6	37
11	3	14	£65,000 - £69,999	11	1	12
12	2	14	£70,000 - £74,999	9	4	13
13	0	13	£75,000 - £79,999	15	0	15
4	2	6	£80,000 - £84,999	4	2	6
12	0	12	£85,000 - £89,999	8	2	10
1	1	2	£90,000 - £94,999	0	1	1
1	1	2	£95,000 - £99,999	1	1	2
0	0	0	£100,000 - £104,999	0	0	0
1	2	3	£105,000 - £109,999	0	1	1
2	0	2	£110,000 - £114,999	2	1	3
0	0	0	£115,000 - £119,999	0	0	0
0	0	0	£120,000 - £124,999	1	0	1
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	1	0	1
0	0	0	£145,000 - £149,999	0	0	0
0	0	0	£150,000 - £154,999	0	0	0
0	0	0	£155,000 - £159,999	0	0	0
0	0	0	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	0	0	0
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
0	0	0	£185,000 - £189,999	0	0	0
1	0	1	£190,000 - £194,999	1	0	1
7,968	4,478	12,446	Totals	7,311	4,079	11,390

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

30. SENIOR OFFICERS REMUNERATION

This note has been prepared in accordance with statutory instrument 3322 (2009) as an amendment to the Account and Audit (Amendment no. 2) (England) Regulations 2009. This aims to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with stewardship of the organisation. 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 2013-14

Post holder information	Notes	Salary (inc fees and allowances)	Compensation for loss of office	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Police and Crime Commissioner for West Midlands							
Poince and Crime Commissioner Mr Bob Jones		100.0	0	0	100.0	10.3	110.3
Deputy Police and Crime Commissioner Ms Yvonne Mosquito		65.0	0	0	65.0	6.7	71.7
West Midlands Office for Policing and Crime Chief Executive		106.5	0	6.5	113.0	11.0	124.0
West Midlands Office for Policing and Crime – Chief Finance Officer	Note 1	21.0	0	0	21.0	0	21.0
West Midlands Office for Policing and Crime – Legal Advisor	Note 2	13.9	0	0	13.9	1.4	15.3
Force Director of Resources		111.4	0	6.8	118.2	11.5	129.7
Temporary Assistant Director of Resources	Note 3	30.1	0	1.6	31.7	3.1	34.8
Force Chief Information officer		99.6	0	0	99.6	6.8	106.4
Total:		547.5	0	14.9	562.4	50.8	613.2

In the audited accounts the benefit in kind figures above are taken from returns completed in July 2014.

Note 1: The West Midlands Office for Policing and Crime Chief Finance Officer is employed for 0.2 FTE. The post holders annualised salary is £105,200.

Note 2: The West Midlands Office for Policing and Crime Legal Advisor left the organisation in August 2013. The post holder was employed for 0.4 FTE. The post holders annualised salary was £83,800.

Note 3: The Force employed a temporary Assistant Director of Resources from December 2013. The post holders annualised salary is £90,200.

Post holder information	Notes	Salary (inc fees and allowances)	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Chief Constable for West Midlands Police						
Chief Constable C Sims		194.0	6.4	200.4	0	200.4
Deputy Chief Constable		143.1	6.0	149.1	33.9	183.0
Assistant Chief Constable (1)		111.2	6.2	117.4	25.8	143.2
Assistant Chief Constable (2)	Note 1	122.3	8.2	130.5	28.5	159.0
Assistant Chief Constable (3)		97.9	6.4	104.3	23.6	127.9
Assistant Chief Constable (4)		114.9	4.8	119.7	25.8	145.5
Temp Assistant Chief Constable (5)	Note 2	32.6	1.0	33.6	7.3	40.9
Temp Assistant Chief Constable (6)	Note 3	8.3	0.7	9.0	1.9	10.9
Total:		824.3	39.7	864.0	146.8	1010.8

Note 1: This Assistant Chief Constable Acted into the role of Deputy Chief Constable from December 2013 to March 2014.

Note 2: This temporary Assistant Chief Constable was appointed between December 2013 and March 2014. The post holders annualised salary in this post is £94,700

Note 3: This temporary Assistant Chief Constable was appointed in March 2014. The post holders annualised salary in this post is £94,700

Senior Officers' remuneration in 2012-13

Post holder information	Notes	Salary (inc fees and allowances)	Compensation for loss of office	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Police and Crime Commissioner for West Midlands							
Poilce and Crime Commissioner Mr Bob Jones	Note 1	37.2	0	0	37.2	0.9	38.1
Deputy Police and Crime Commissioner Ms Yvonne Mosquito	Note 2	22.2	0	0	22.2	2.3	24.5
West Midlands Office for Policing and Crime Chief Executive		105.9	0	6.7	112.6	10.9	123.5
West Midlands Office for Policing and Crime – Chief Finance Officer	Note 3	20.9	0	0	20.9	0	20.9
West Midlands Office for Policing and Crime – Legal Advisor	Note 4	41.4	0	0	41.4	4.3	45.7
Tempoary Director of Resources	Note 5	106.4	0	6.4	112.8	11.0	123.8
Force Solicitor	Note 6	99.8	0	0	99.8	10.0	109.8
Force Chief Information officer		93.5	0	0	93.5	9.6	101.1
Total:		527.3	0	13.1	540.4	49.0	589.4

Note 1: Police and Crime Commissioner Bob Jones took up his post on 22nd November 2012. His annual salary is £100,000

Note 2: Deputy Police and Crime Commissioner Yvonne Mosquito took up her post on 22 November 2012. Her annual salary is £65,000

Note 3: The West Midlands Office for Policing and Crime Chief Finance Officer (formerly the Police Authority Treasurer) is employed for 0.2FTE. The post holders annualised salary is £104,600

Note 4: The West Midlands office for Policing and Crime Legal Advisor is employed for 0.61FTE. The post holders annualised Equivalent salary is £83,800

Note 5: The Temporary Director of Resources has been in this post since November 2011.

Note 6: The Force Solicitor retired from this post in February 2013.

Post holder information	Notes	Salary (inc fees and allowances)	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Chief Constable for West Midlands Police						
Chief Constable C Sims		192.7	2.9	195.6	0	195.6
Deputy Chief Constable		142.3	5.3	147.6	33.3	180.9
Assistant Chief Constable (1)		110.6	5.2	115.8	25.6	141.4
Assistant Chief Constable (2)		107.4	6.1	113.5	24.9	138.4
Assistant Chief Constable (3)		97.4	5.3	102.7	23.4	126.1
Assistant Chief Constable (4)		111.5	3.9	115.4	25.6	141.0
Total		761.9	28.7	790.6	132.8	923.4

31. TERMINATION BENEFITS

The 2013-14 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	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13 £'000	2013-14 £'000
£0 - £19,999	3	0	121	47	124	47	750	346
£20,000 - £39,999	0	0	13	7	13	7	354	174
£40,000 - £59,999	0	0	5	6	5	6	242	270
£60,000 - £79,999	0	0	2	1	2	1	145	67
£80,000 - £99,999	0	0	1	0	1	0	93	0
£100,000 - £149,999	0	0	1	0	1	0	106	0
Total	3	0	143	61	146	61	1,690	857

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 2014 but who have not left the Group at the Balance Sheet date.

32. EXTERNAL AUDIT COSTS

In 2013-14 the PCCWM incurred the following fees relating to external audit:

	Police and Crime Commissioner		Group	
	2012-13 £'000	2013-14 £'000	2012-13 £'000	2013-14 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	63	57	93	87
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	(5)	0	(7)	0
Fees payable to the Audit Commission in respect of statutory inspection	0	0	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns (estimate)	0	0	0	0
Fees payable in respect of other services provided by the appointed auditor	0	0	0	0

The appointed auditor in 2013-14 was Grant Thornton UK LLP. There is a further fee of £30,000 for the Chief Constable of West Midlands Police making a total fee of £87,000 for the Police and Crime Commissioner Group.

The PPCWM received a rebate of £4,560 for audit fees from the Audit Commission due to further cost reductions within their business in 2012-13.

33. GRANT INCOME

The Group credited the following grants to the Comprehensive Income and Expenditure Statement in 2013-14. These are separated into those grants which were credited to the PCCWM and those which were credited to the CCWMP.

	CCWMP 2012-13 £'000	PCCWM 2012-13 £'000	CCWMP 2013-14 £'000	PCCWM 2013-14 £'000
<i>Credited to Taxation and Non Specific Grant Income</i>				
Police Grant	0	252,895	0	275,346
Capital Grants Applied	0	7,789	0	7,126
Pensions top up grant receivable	53,330	0	59,947	0
Total	53,330	260,684	59,947	282,472
<i>Credited to Police Services</i>				
Loan Charges Grant	0	0	0	614
Community Support Officer Grant	15,904	0	0	0
DIP Grant	2,066	0	0	0
Counter Terrorism Grant	28,520	0	29,462	0
Disorder Grant	0	1,388	0	691
Council Tax Freeze Grant	0	2,399	0	1,991
Other Grants	8,126	96	4,085	8,000

34. 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 PCCWM or to be controlled or influenced by the PCCWM. Disclosure of these transactions allows readers to assess the extent to which the PCCWM might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the PCCWM.

Central Government

The UK Government exerts significant influence over the operations of the PCCWM – it is responsible for providing the statutory operating framework and provides the majority of funding in the form of grants. Details of transactions with government departments are set out in note 34 above showing grant income credited to the Comprehensive Income and Expenditure Statement.

Pension Schemes and Precepts

The Local Government Pension Scheme is administered by Wolverhampton City Council and the PCCWM has made payments to them of £17.58m in 2013-14 (£17.99m in 2012-13). Payments we have received from other Local Authorities in the form of precept income from Council Tax payers are detailed at the foot of the Comprehensive Income and Expenditure Statement.

Members

Members of the Strategic Policing and Crime Board have direct control over the PCC's financial and operating policies. The total of members' allowances paid in 2013-14 is shown in note 29. The PCC, his Deputy and Assistant PCC's, Strategic Policing and Crime Board members, Chief Officers within the Office for the PCCWM and Police force Chief Officers have signed a declaration regarding related party transactions.

One non-executive member of the Strategic Policing and Crime Board has declared that they are a trustee of a rape and sexual violence charity which is bidding for funding from the PCC. This member has no involvement in preparing funding bids for this charity and has declared this interest to the PCC and other members of the OPCC.

The nature and amount of any transactions between the above parties have been carried out in conjunction with the governance arrangements within the OPCC and they do not have any material effect on the accounts.

Officers

No Chief Officers of the Force have declared any related party transactions in 2013-14.

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

The PCCWM has a pooled budget arrangement for the joint operation of the Central Motorway Police Group in conjunction with his counterparts at Staffordshire and West Mercia. Transactions and balances in relation to this jointly controlled operation are detailed in note 48.

Transactions with related parties who are not Strategic Policing and Crime Board members, PCCWM officers or Chief Officers are shown in the debtor and creditor balances in notes 20 and 23 respectively.

35. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2012-13 Outturn £'000		2013-14 Programme £'000	2013-14 Outturn £'000
	Property Plant and Equipment comprising:		
	Land and Buildings:		
0	New Police Buildings	5,520	3,363
320	Improvements and Adaptations	1,075	637
	Vehicles and Equipment:		
3,047	Vehicles	3,250	3,692
2,800	IT/Radio Equipment	4,230	3,148
2,127	Other Equipment	300	453
46	Casualty Partnership / NABIS	0	23
28	Helicopter	0	0
8,368	TOTAL	14,375	11,316
	FINANCING OF EXPENDITURE		
6,053	Capital Grants	8,575	7,286
0	Capital Receipts	5,000	3,000
0	Capital Reserve	800	600
2,315	Direct Revenue Financing	0	430
8,368	TOTAL	14,375	11,316

The opening Capital Financing Requirement (CFR) at the start of the current reporting period was £41.4m and the closing CFR was £39.8m. The reduction in the CFR is made up of the Minimum Revenue Provision (MRP) representing a decrease in the underlying need to borrow.

36. LEASES

Operating Leases

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

The PCCWM leases several of the properties which it occupies. The amount paid in respect of property rentals in 2013-14 was £2.8m including service charges and insurance.

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

	2013-14 £'000	2014-15 £'000
Lease expiring:		
Within one year	34	409
Within two to five years	1,601	1,114
After more than five years	159	159
Total	1,793	1,682

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

Finance leases

The PCCWM does not have any finance leases in 2013-14. The PCCWM did not have any finance leases in 2012-13.

37. DEFINED BENEFIT PENSION SCHEMES

As part of the terms and conditions of employment of its officers and other employees, the Group offers retirement benefits. Although these will not actually be payable until employees retire, the Group 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 pensions liabilities with investment assets.
- The Police Pension Scheme (defined benefit) for police officers - this is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Police pensions operate under two schemes: The 1987 scheme which no new members can now join and the 2006 Police pension scheme which all officers joining a pension scheme since 1 April 2006 become a member of. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the PCCWM 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 PCCWM which then must repay the amount to Central Government.

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

The 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 statements which follow show transactions for the group as a whole. In reality the pensions costs are borne by the Chief Constable as the vast majority of staff are under his direction and control.

The Group has not obtained an actuarial valuation for the pensions relating to the Office for Policing and Crime as they are not material to the overall level of assets and liabilities in the Local Government Pension Scheme. Hence the Comprehensive Income and Expenditure Statement and Balance Sheet for the CCWMP contains the full cost of police and police staff pensions and the full pension liability.

The following tables show the transactions have been recognised in the Comprehensive Income and Expenditure Statement, Movement in Reserves and Balance Sheet during the year. Changes to IAS 19 which have been adopted by the CIPFA Code of Practice in 2014 are shown in the tables for the current year. The comparative year has been restated to show the effect of the changes to IAS 19 retrospectively.

Comprehensive Income and Expenditure Statement

2013-2014	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
<u>Net cost of services:</u>					
Current service cost	(18,023)	(123,500)	(4,670)	(19,540)	(165,733)
Past service (cost)/ gain	(1)	0	0	0	(1)
Curtailments	(717)	0	0	0	(717)
<u>Financing and Investing Income & Expenditure:</u>					
Net Interest cost	(8,169)	(235,230)	(9,120)	(8,470)	(260,989)
Administration costs	(252)	0	0	0	(252)
Total post employment benefits charged to the surplus or deficit on the provision of Services	(27,162)	(358,730)	(13,790)	(28,010)	(427,692)
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Re-measurements of the net defined benefit liability/asset Comprising:					
Return on plan assets (excluding the amount included in the net interest cost)	9,237	0	0	0	9,237
Actuarial gains and losses arising on changes in demographic assumptions	(3,601)	94,390	28,620	5,950	125,359
Actuarial gains and losses arising on changes in financial assumptions	43,793	184,140	6,090	16,940	250,963
Net charge to Comprehensive Income and Expenditure Statement	22,267	(80,200)	20,920	(5,120)	(42,133)

2012-2013	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
<u>Net cost of services:</u>					
Current service cost	(14,302)	(95,770)	(2,480)	(18,200)	(130,752)
Past service (cost)/ gain	(26)	0	0	0	(26)
Curtailments	(717)	0	0	0	(717)
<u>Financing and Investing Income & Expenditure:</u>					
Net Interest Cost	(7,048)	(222,570)	(8,840)	(6,360)	(244,818)
Administration costs	(255)	0	0	0	(255)
Total post employment benefits charged to the surplus or deficit on the provision of Services	(22,348)	(318,340)	(11,320)	(24,560)	(376,568)
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Re-measurements of the net defined benefit liability/asset comprising:					
Return on plan assets (excluding the amount included in the net interest cost)	24,337	0	0	0	24,337
Actuarial gains and losses arising on changes in demographic assumptions	(5,970)	107,130	4,950	(2,150)	103,960
Actuarial gains and losses arising on changes in financial assumptions	(55,791)	(830,120)	(26,290)	(35,230)	(947,431)
Net charge to Comprehensive Income and Expenditure Statement	(59,772)	(1,041,330)	(32,660)	(61,940)	(1,195,702)

Movement in Reserves Statement

2013-2014	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	27,162	358,730	13,790	28,010	427,692
Actual amount charged against the General Fund balance for pensions in the year:					
Employer's contributions payable to the scheme	(12,173)	0	0	0	(12,173)
Retirement benefits payable to pensioners (net of employee contributions)	0	(128,920)	(2,260)	4,030	(127,150)

2012-2013	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	22,348	318,340	11,320	24,560	376,568
Actual amount charged against the General Fund balance for pensions in the year:					
Employer's contributions payable to the scheme	(12,468)	0	0	0	(12,468)
Retirement benefits payable to pensioners (net of employee contributions)	0	(125,020)	(2,060)	4,910	(122,170)

In the above table the reversal of net charges for retirement benefits in accordance with International Accounting Standards includes the pension top up grant payable to the Chief Constable from the Home Office. This grant is excluded in the table in note 6 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:

2013-2014	Funded liabilities: Local Govt Pension Scheme £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(561,470)	(5,424,560)	(187,630)	(194,530)	(6,368,190)
Fair value of plan assets	404,159	0	0	0	404,159
Sub-total	(157,311)	(5,424,560)	(187,630)	(194,530)	(5,964,031)
Other movements in the liability	0	0	0	0	0
Net liability arising from the defined benefit obligation	(157,311)	(5,424,560)	(187,630)	(194,530)	(5,964,031)

2012-2013	Funded liabilities: Local Govt Pension Scheme £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(570,623)	(5,473,010)	(210,810)	(185,220)	(6,439,663)
Fair value of plan assets	378,872	0	0	0	378,872
Sub-total	(191,751)	(5,473,010)	(210,810)	(185,220)	(6,060,791)
Other movements in the liability	0	0	0	0	0
Net liability arising from the defined benefit obligation	(191,751)	(5,473,010)	(210,810)	(185,220)	(6,060,791)

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

2013-2014	Funded liabilities: Local Govt Pension Scheme £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
1 April -13	(570,623)	(5,473,010)	(210,810)	(185,220)	(6,439,663)
Current service cost	(18,023)	(123,500)	(4,670)	(19,540)	(165,733)
Interest cost	(24,918)	(235,230)	(9,120)	(8,470)	(277,738)
Contributions by scheme participants	(5,406)	(28,950)	0	(4,320)	(38,676)
Transfers into the scheme	0	(270)	0	(160)	(430)
Re-measurements of the net defined benefit liability/asset	44,235	278,530	34,710	22,890	380,365
Benefits paid	13,983	157,870	2,260	290	174,403
Curtailments	(717)	0	0	0	(717)
Past service costs	(1)	0	0	0	(1)
31 March-14	(561,470)	(5,424,560)	(187,630)	(194,530)	(6,368,190)

2012-2013	Funded liabilities: Local Govt Pension Scheme £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
1 April -12	(476,067)	(4,556,570)	(180,210)	(118,270)	(5,331,117)
Current service cost	(14,302)	(95,770)	(2,480)	(18,200)	(130,752)
Interest cost	(24,116)	(222,570)	(8,840)	(6,360)	(261,886)
Contributions by scheme participants	(5,531)	(26,950)	0	(5,020)	(37,501)
Transfers into the scheme	0	(130)	0	(100)	(230)
Re-measurements of the net defined benefit liability/asset	(61,761)	(722,990)	(21,340)	(37,380)	(843,471)
Benefits paid	11,897	151,970	2,060	110	166,037
Curtailments	(717)	0	0	0	(717)
Past service costs	(26)	0	0	0	(26)
31 March-13	(570,623)	(5,473,010)	(210,810)	(185,220)	(6,439,663)

Reconciliation of the movements in fair value of the scheme assets:

	Local Government Pension Scheme £'000	
	2012-13	2013-14
1 April 2013	331,620	378,872
Interest on plan assets	17,068	16,749
Return on plan assets excluding the amount included in the net interest expense	24,337	5,194
Employer contributions	12,468	12,173
Member contributions	5,531	5,406
Benefits paid	(11,897)	(13,983)
Administration expenses	(255)	(252)
31 March 2014	378,872	404,159

History of the scheme

	2013-14	2012-13	2011-12	2010-11	2009-10
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:					
Local Government Pension Scheme	(561,470)	(570,623)	(476,067)	(445,343)	(447,565)
1987 Police Pension Scheme	(5,424,560)	(5,473,010)	(4,556,570)	(4,289,420)	(4,669,380)*
Police Injury award Pensions	(187,630)	(210,810)	(180,210)	(149,260)	(177,840)
2006 Police Pension Scheme	(194,530)	(185,220)	(118,270)	(87,410)	(66,300)
Fair value of assets in the Local Government Pension Scheme	404,159	378,872	331,620	325,588	291,448
Subtotal	(5,964,031)	(6,060,791)	(4,999,497)	(4,645,845)**	(5,069,637)*
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(157,311)	(191,751)	(144,447)	(119,755)	(156,117)
1987 Police Pension Scheme	(5,424,560)	(5,473,010)	(4,556,570)	(4,289,420)	(4,669,380)*
Police Injury award Pensions	(187,630)	(210,810)	(180,210)	(149,260)	(177,840)
2006 Police Pension Scheme	(194,530)	(185,220)	(118,270)	(87,410)	(66,300)
Total	(5,964,031)	(6,060,791)	(4,999,497)	(4,645,845)**	(5,069,637)*

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

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

The liabilities show the underlying commitments that the PCCWM has in the long run to pay post employment (retirement) benefits. The total liability of £5,964m has a substantial impact on the net worth of the Group recorded in the Balance Sheet, resulting in a negative overall balance of £5,712m. 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.

The total contributions expected to be made to the Local Government Pension Scheme by the PCCWM in the year to 31 March 2015 is £15.04m. Expected contributions for the Police Pension Scheme in the year to 31 March 2015 are £99.5m

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme liabilities have been assessed by the Government Actuary's Department and the West Midlands Fund liabilities have been assessed by Mercers Human Resource Consulting, an independent firm of actuaries. The estimates for the West Midlands Pension Fund have been based on the last full valuation of the scheme as at 31 March 2013.

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

The principal assumptions in the calculations made are:-

	Local Government Pension Scheme £'000		Police Pension Scheme £'000	
	2012-13	2013-14	2012-12	2013-14
	Years	Years	Years	Years
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	22.1	22.9	23.4	23.4
Women	24.8	25.5	25.8	25.9
Longevity at 65 for future pensioners:				
Men	23.9	25.1	25.7	25.6
Women	26.7	27.8	27.9	28.0
	%	%	%	%
Rate of CPI inflation	2.40	2.4	2.50	2.50
Rate of increase in salaries	4.15	4.15	4.75	4.50
Rate of increase in pensions	2.40	2.40	2.50	2.50
Rate for discounting scheme liabilities	4.40	4.60	4.30	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	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)	10,410	(10,410)
Rate of inflation (increase or decrease by 0.1%)	12,080	(12,080)
Rate of increase in salaries (increase or decrease by 0.1%)	3,920	(3,920)
Rate of discounting scheme liability (increase or decrease by 0.1%)	(11,826)	11,826

The actuarial gains and losses disclosed in the Local Government Pension Scheme of £49.4m are subject to an allowance for short-term pay increases at a lower rate than the long term figure of 4.15% per year.

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)	99,000	(99,000)
Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%)	485,000	(485,000)
Rate of increase in salaries (increase or decrease by 0.5%)	131,000	(131,000)
Rate of discounting scheme liability (increase or decrease by 0.5%)	(616,000)	616,000

The police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund covering police staff are valued at fair value, (the bid price of investments held), totalling £404.2m for the fund as a whole at 31 March 2014 (£378.9m at 31 March 2013). The Funds 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 2013	31 March 2014
			£'000s	£'000s
Cash and cash equivalents	Cash instruments	Y	9,244	8,043
	Cash accounts	Y	3,296	2,870
Total Cash			12,540	10,913
Equity Instruments	UK quoted	Y	37,434	42,032
	UK unquoted	N	720	7,719
	Global quoted	Y	19,057	21,259
	Global unquoted	N	46,866	41,871
	Europe	Y	22,240	27,119
	Japan	Y	7,274	7,477
	Pacific Basin	Y	16,405	16,247
	North America	Y	36,410	38,880
	Emerging Markets	Y	23,566	32,696
Total equity			209,972	235,300
Bonds	UK Government fixed	Y	7,577	7,800
	UK Government indexed	Y	25,612	25,462
	UK other	Y	18,262	19,440
	Overseas other	Y	12,579	10,508
	Other	Y	12,427	13,418
Total Bonds			76,457	76,628
Property	UK	Y	23,376	23,967
	Overseas	Y	1,250	889
	Property funds	Y	7,729	11,559
Total property			32,355	36,415
Alternatives	Commodities	Y	7,994	7,639
	Infrastructure	Y	12,616	11,519
	Absolute Return	Y	26,938	25,745
Total Alternatives			47,548	44,903
Total Assets held			378,872	404,159

38. DISCRETIONARY PENSION PAYMENTS

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

	2012-13 Capitalised Value £'000	2013-14 Actual Payments £'000	2013-14 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	2,177	118	2,131
	2,177	118	2,131

39. PROVISIONS

A number of employment tribunal claims lodged against the PCCWM on the grounds of equal pay have been settled. Following advice from Legal and Human Resources practitioners the PCCWM has decided that it would be prudent to increase the provision of £1m to £1.7m to cover the expected costs of the remaining claims arising directly from these cases and those which may be brought following the outcome of existing cases.

The provision for the expected cost of the purchase of carbon credits as part of the Governments commitment to reduce carbon dioxide emissions will also continue in the next financial year. Both provisions are shown as current liabilities in the Balance Sheet.

40. CONTINGENT LIABILITIES

The PCCWM is involved in an ongoing employment tribunal case regarding Police Officer retirements under the A19 police regulations. The courts recently found in favour of Police Officers whose A19 retirement was deemed to be unlawful. The PCCWM has sought legal advice in relation to this case. The outcome of any future legal challenges is not yet clear and no value can be put on a potential future liability this claim has been disclosed in the accounts as a contingent liability rather than a provision.

The PCCWM also discloses a contingent liability in respect of a legal case regarding the Riot Damages Act. This Act was invoked to support claims for damages following the national disorder in August 2011. Damages were paid out by the former Police Authority and have continued to be paid by Police And Crime Commissioners for properties damaged during this disorder and monies were reclaimed from the Home Office. Subsequently, a further claim has now been brought against the Mayors Office for Policing and Crime in the Metropolitan force area for business continuity costs where the Act did not sufficiently clarify if these costs were claimable. A Supreme Court ruling is due on this case in due course. The PCCWM believes that this case should be treated as a contingent liability but it should be noted that the Commissioner would expect any costs incurred to be met by the Home Office.

41. POLICE PROPERTY ACT FUND

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

	31 March 13 £'000	31 March 14 £'000
Balance as at 1 April	101	34
Income from confiscations and property auctions	74	422
Payments to charities	(123)	(211)
Payments to Neighbourhood Initiative Fund	0	0
Property Administration Expenditure	(18)	0
Balance as at 31 March	34	245

Notes 43 to 45 contain details of accounts held by the Police and Crime Commissioner for the West Midlands which do not form part of the primary statements shown on pages 32 to 37.

42. TRUST FUNDS

The Police Force currently administers two Registered Charities:

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

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

The balance on the funds accounts at 31 March 2014 was £125,516. (£100,345 at 31 March 2013).

Alderman Guy Fund

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

The balance on the funds accounts at 31 March 2014 was £1,722 (£1,721 at 31 March 2013).

These charities are not subject to external audit by our external auditor Grant Thornton UK LLP.

43. LIVSCAN CHANGE FUND

As senior responsible officer for the ACPO Forensics 21 Programme, the Chief Constable of West Midlands Police controls, on behalf of the NPIA, a bank account to pay for upgrades to the National Livescan Fingerprint Capture System. The balance on this account at 31 March 2014 was £2,111,862 (£2,282,876 on 31 March 2013).

44. PROCEEDS OF CRIME ACT 2002 ACCOUNT

In addition, there are three bank accounts for the holding of 3rd party funds seized as suspected proceeds of crime in accordance with the Act. At 31 March 2014 the balance on these accounts was £3,530,040.86, \$2,093.43 and €7,142.39. At 31 March 2013 the balance on these accounts was £4,691,620.51, \$7,567.14 and €44,266.15.

NOTES TO THE CASH FLOW STATEMENT

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

	Year ended 31 March 13 £'000	Year ended 31 March 14 £'000
Surplus (Deficit) for the year	(230,860)	(263,751)
Increase / (decrease) in Provisions	0	0
Accumulated absences creditor adjustment	(633)	(434)
Other adjustments for non-cash movements	(4)	(94)
Capital Financing transaction	28,304	15,670
Change in Short Term Borrowing	34	(1,028)
Increase / (decrease) in Long Term Debtors	12	(1,940)
Increase / (decrease) in Long Term Creditors	0	0
(Increase) / Decrease in stocks	396	193
(Increase) / Decrease in debtors	6,818	(644)
Increase / (Decrease) in creditors	(1,183)	(2,921)
IAS 19 Adjustment	373,214	427,693
Pension Adjustment	(81,078)	(78,946)
Net (gain)/loss on disposal of fixed assets	144	1,420
Interest Payable and Similar Charges	3,075	3,034
Interest and Investment Income	(2,262)	(1,439)
Pensions Top Up Grant Receivable	(53,330)	(59,947)
Grant Deferred Amortisation	0	0
Impairment of Financial Instruments	(60)	(295)
Net Inflow (Outflow) from Revenue Activities	42,587	36,571

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

	Year ended 31 March 14 £'000
Decrease/ (Increase) in cash	30,326
Cash outflow from increase in liquid resources	78,109
Financing	(515)
Change in net debt resulting from cashflows	107,920
Net Debt as at 1 April 2013	114,552
Net Debt as at 31 March 2014	142,576

47. MOVEMENT IN CASH AND CASH EQUIVALENTS

	Balance at 31 March 13 £'000	Movement in the Year £'000	Balance at 31 March 14 £'000
Cash held by the PCC	324	27	351
Bank Current Accounts	6,176	(8,993)	(2,817)
Short term deposits with financial institutions	64,241	(21,711)	42,530
	70,741	(30,677)	40,064

Cash equivalents are short term deposits and investments with less than 1 month to maturity. The impairment of the Icelandic investment has been excluded from the Balance at 31 March 2014 as it is a non cash transaction.

48. JOINTLY CONTROLLED OPERATIONS – 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 Police forces 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 2013-14 are as follows:

2012-13 £'000s		2013-14 £'000s
	Funding provided to the pooled budget	
(4,261)	Contribution from West Midlands Police	(4,016)
(2,137)	Contribution from West Mercia Police	(2,015)
(2,013)	Contribution from Staffordshire Police	(1,897)
(8,411)	Total funding provided to the pooled Budget	(7,928)
	Expenditure met from the pooled budget	
7,486	Pay and allowances	7,193
56	Premises costs	62
627	Transport costs	593
286	Supplies and Services	212
0	SPP grant	0
8,455	Total expenditure	8,060
	Income received to the Pooled budget	
(44)	External funding	(132)
(44)	Total income received	(132)
8,411	Total Net Expenditure	7,928
0	Net surplus/(deficit) arising during the year	0
0	West Midlands Police share of 50.7% of the net surplus/(deficit) arising during the year	0

POLICE PENSION FUND ACCOUNT

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

2012-13 £'000	Police Pension Fund Account	2013-14 £'000	£'000
	Fund Account		
	Contributions receivable:		
	From employer:		
(64,747)	Normal	(61,199)	
(1,992)	Early retirements	(3,297)	
(8)	30+ contributions	(0)	
(66,746)		(64,496)	
(31,968)	From members	(33,279)	
(31,968)		(33,279)	
(232)	Transfers in	(436)	
(232)		(436)	
(98,946)	Total income into the Pension Fund		(98,211)
	Benefits payable:		
120,224	Pensions	126,188	
30,592	Lump sums	30,252	
202	Lump sum death benefits	160	
28	30+ benefits payable	0	
240	Benefits payable to other regional forces re earlier reorganisations	205	
151,267		156,805	
	Payments to and on account of leavers:		
16	Refunds of contributions	3	
988	Individual transfers out to other schemes	1,349	
5	Other	1	
1,009		1,353	
152,277	Total payments from the pension fund		158,158
53,330	Net amount payable for the year		59,947
(53,330)	Additional contribution received from the Police and Crime Commissioner		(59,947)
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 24 of this Statement of Accounts.
2. The police pension fund is administered by the Chief Constable.
3. All benefits payable during 2013-14 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2014 are not included. These liabilities are recognised within the Comprehensive Income and Expenditure Statement and Note 6 of the Statement of Accounts demonstrates how this is done.
4. The police pension fund scheme is an unfunded scheme. This means that there are no assets to the scheme and that all benefits payable are funded by contributions from employers and employees. Any difference that arises in the year between the benefits payable and the contributions received is met by a top up grant received from the Home Office.
5. Employee and employer contributions into the scheme are based on percentages of pensionable pay set nationally by the Home Office and subject to a triennial revaluation by the Government Actuaries Department. During 2013-14 the contribution rates were as follows :-

6.

- Employers Contribution – 24.2% for both the 1987 & 2006 Police pension schemes

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

- Employee Contribution – 11% for 1987 police pension scheme
- Employee Contribution – 10.7% for 2006 new police pension scheme

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

- Employee Contribution – 13.50% for 1987 police pension scheme
- Employee Contribution – 11.5% for 2006 new police pension scheme

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

- Employee Contribution – 14.00% for 1987 police pension scheme
- Employee Contribution – 12.00% for 2006 new police pension scheme

APPENDIX 1: RESTATEMENT OF 2012-13 COMPARATIVES

Re-statement of the Group Movement in Reserves Statement 2012-13

Group	Reserves per 2012-13 Statement of Accounts		Movements between PCC reserves and CC reserves		Restated Reserves for the PCC		Restated Reserves for the CC	
	Total Usable Reserves PCC/Group	Total Unusable Reserves PCC/Group	Adjustments to usable reserves	Adjustments to unusable reserves	Total usable reserves	Total Unusable Reserves	Total usable reserves	Total Unusable Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance as at 01 April 2012	(139,563)	4,919,135	0	0	(139,563)	(83,708)	0	5,002,842
Deficit on provision of services on an accounting basis	234,213	0	(7,314)	0	(7,314)	0	241,527	0
Remeasurement of the net defined benefit liability	0	819,134	0	(819,134)	0	0	0	819,134
Gain or loss on revaluation of non-current assets	0	1,678	0	0	0	1,678	0	0
Total Comprehensive Income and Expenditure	234,213	820,812	(7,314)	(819,134)	(7,314)	1,678	241,527	819,134
Adjustment between accounting and funding basis under regulations:								
Charges for depreciation and impairment of non current assets	(16,831)	16,831	0	0	(16,831)	16,831	0	0
Revaluation losses on Property, Plant and Equipment	(8,242)	8,242	0	0	(8,242)	8,242	0	0
Amortisation of intangible assets	(2,595)	2,595	0	0	(2,595)	2,595	0	0
Capital grants and contributions applied	6,054	(6,054)	0	0	6,054	(6,054)	0	0
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,033)	2,033	0	0	(2,033)	2,033	0	0
de-minimis capital purchases	(634)	634	0	0	(634)	634	0	0
Statutory provision for the financing of capital investment (MRP)	2,109	(2,109)	0	0	2,109	(2,109)	0	0
Capital expenditure charged against the general fund balance	2,315	(2,315)	0	0	2,315	(2,315)	0	0
Voluntary provision above MRP	381	(381)	0	0	381	(381)	0	0
Capital grant and contributions unapplied credited to the CI ES	0	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0	0	0
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	0	0	0	0	0	0	0	0
Transfer from Deferred Capital Receipts	0	0	0	0	0	0	0	0
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0	0
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	231	(231)	0	0	231	(231)	0	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(323,238)	323,238	323,238	(323,238)	0	0	(323,238)	323,238
Employers pensions contributions and direct payments to pensioners payable in the year	81,078	(81,078)	(81,078)	81,078	0	0	81,078	(81,078)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(329)	329	0	0	(329)	329	0	0
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	633	(633)	(633)	633	0	0	633	(633)
TOTAL ADJUSTMENTS	(261,101)	261,101	241,527	(241,527)	(19,574)	19,574	(241,527)	241,527
Net increase or (decrease) before transfers to earmarked reserves	(26,888)	1,081,913	0	0	(26,888)	21,252	0	0
Transfer to and from earmarked reserves	0	0	0	0	0	0	0	0
Balance as at 31 March 2013	(166,451)	6,001,048	0	0	(166,451)	(62,456)	0	6,063,503

Re-statement of the Group Comprehensive Income and Expenditure Statement 2012-13

Group	Per 2012-13 Statement of Accounts	IAS 19 Restatements			Re-stated 2012- 13 Statement of Accounts
	£'000s	Charge current service interest cost to current service costs £'000s	Change in methodology for calculating pension interest cost £'000s	Apply IAS 19 administration expenses to Financing and Investment Income and Expenditure £'000s	£'000s
Above net cost of services					
Current Service Costs	(130,396)	(356)	0	0	(130,752)
Past Service Costs	(26)	0	0	0	(26)
Curtailments	(717)	0	0	0	(717)
Total impact on Cost of Services	(131,139)	(356)	0	0	(131,495)
Financing and Investment Income and Expenditure					
Pensions Interest Cost	(262,242)	0	17,424	0	(244,818)
Expected Return on Assets	20,167	0	(20,167)	0	0
IAS 19 Administrative Expenses	0	0	0	(255)	(255)
Total impact on Financing and Investment Income	(242,075)	0	(2,743)	(255)	(245,073)
Other Comprehensive Income and Expenditure					
IAS 19 Remeasurements (formerly actuarial gains and losses)	(822,488)	0	3,354	0	(819,134)
Total impact on Other Comprehensive Income and Expenditure	(822,488)	0	3,354	0	(819,134)
Net increase or (decrease) before transfer to earmarked reserves	(1,195,702)				(1,195,702)

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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 PCCWM before the start of each financial year and is used to monitor actual expenditure throughout the year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCE AND OPERATING LEASE – A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an

operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the revenue account.

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

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

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

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

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

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

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

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

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

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

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

OUTTURN – The actual amount spent in the financial year.

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

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

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

POLICE AND CRIME COMMISSIONER – this refers to the post of the Police and Crime Commissioner and may also be referred to in the Statement of Accounts as the Commissioner.

PCCWM – The Police and Crime Commissioner for West Midlands. This is the entity which is a Local Authority for accounting purposes and which holds the police fund.

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

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

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

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

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

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

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

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

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