

**Police and Crime  
Commissioner for the West  
Midlands:  
Consolidated Statement of  
Accounts  
  
2014-15**

# STATEMENT OF ACCOUNTS 2014-15

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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 2014/15 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 2014-15

The overall revenue outturn position is an underspend of £2.5m against the original budget of £543.6m. This is broadly in line with outturn forecasts made during the financial year.

The revenue budget underspend has been transferred to the Budget Reserve to assist with addressing the funding challenges over the remaining Comprehensive Spending Review (CSR) period. As at 31 March 2015 the Budget reserve has been split to create a Budget Resilience Reserve which is earmarked to support the revenue over the years 2015-16 to 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 £5.2m against the budget with Police pay and PCSO budgets being underspent by £1.3m and staff pay and other employee expenses being overspent by £6.5m. The reasons for this are: Firstly, a charge of £5.3m (£2.6m in 2013-14) was applied to police staff pensions to repay a portion of the deficit in the Local Government Pension Scheme. Secondly, the force has employed a number of temporary staff in 2014-15 some of which have been used to help the force to transform its service over the next few years (£0.9m). Thirdly, the overspend on other employee expenses mainly relates to redundancy and pension fund strain payments arising from staff leaving the force (£1.9m).

During the year there was an underspend of £1.5m 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 have been subject to a budget review process in 2014 which has assisted in delivering additional savings. Within transport related expenditure an underspend of £0.6m arose from savings on vehicle fuel and vehicle maintenance.

External income was £8.8m greater than budget due to a number of factors; Rates rebates from the PCC property portfolio (£1m), additional income from events planning (Party conferences and NATO summit - £2.3m), externally funded operations (£1.5m), increased ACPO TAM grants (£0.3m), Increased grants for the Regional Organised Crime Unit (ROCU - £1m) additional income from seconded officers (£0.9m) and other income (£1.8m).

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

<b>Actual 2013-14 £m</b>	<b>Revenue Expenditure</b>	<b>Budget 2014-15 £m</b>	<b>Actual 2014-15 £m</b>	<b>Variation + (-) £m</b>
473.8	Employee costs	467.7	472.9	5.2
20.3	Premises costs	22.2	20.7	(1.5)
8.1	Transport costs	7.8	7.2	(0.6)
40.0	Supplies and Services	45.0	42.3	(2.7)
4.0	Agency costs	4.4	6.1	1.7
3.5	Capital Financing	3.8	3.4	(0.4)
(29.2)	Income	(24.4)	(33.2)	(8.8)
2.6	CTU	2.6	2.6	0
<b>523.1</b>	<b>Police Force</b>	<b>529.1</b>	<b>522.0</b>	<b>(7.1)</b>
1.7	Office for Police and Crime Commissioner	2.3	1.7	(0.6)
0	Innovation Partner spine costs	0	5.8	5.8
0	RCCO/Innovation partner reserve	10.0	10.0	0
0	Invest to save programme	5.0	0	(5.0)
(7.0)	CSF Grant Income	0	0	0
7.3	CSF Grant Expenditure	7.0	7.0	0
<b>525.1</b>	<b>Net Cost General Police Services</b>	<b>553.4</b>	<b>546.5</b>	<b>(6.9)</b>
0	Earmarked carry forwards	0	4.4	4.4
31.6	Net Contribution to Reserves	(9.8)	(7.3)	(2.5)
<b>556.7</b>	<b>Net Budget Requirement</b>	<b>543.6</b>	<b>543.6</b>	<b>0</b>
	Statutory Accounting Adjustments:			
269.8	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance		262.1	
<b>826.5</b>	<b>Net Operating Expenditure (CIES)</b>		<b>805.7</b>	

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

	<b>2014-15 Original Budget £m</b>	<b>2014-15 Outturn £m</b>	<b>Difference £m</b>
Net Operating Expenditure	553.4	546.5	(6.9)
Contribution to Budget Reserve	0	4.4	4.4
Contributions from Reserves	(9.8)	(7.3)	2.5
<b>Net Budget Requirement</b>	<b>543.6</b>	<b>543.6</b>	<b>0</b>

The table below shows how the Net Budget Requirement of £543.6m is funded from Government Grants and Council Tax.

	2014-15 Outturn £m
Council Tax Payer	67.6
Police Revenue Grant	268.7
Council Tax Support Funding	19.1
Non-Domestic Rates	188.2
<b>Net Budget Requirement</b>	<b>543.6</b>

## EARMARKED AND GENERAL RESERVES

Earmarked Reserves amount to £141.7m, and the General Reserve has been maintained at £12m to adequately cover the risk of major incidents.

As at 31st March 2015 the Budget Reserve balance was £38.4m (£70.5m in 2013-14). This reserve has been reduced as a result of creating a separate Budget Resilience Reserve of £25.5m which will be used to support the revenue budget over the next 3 years to 2018/19 in line with the Budget Strategy.

At the end of 2014/15 £4.4m of underspends on devolved budgets have been credited to earmarked reserves. These have been necessary to carry forward balances held for regionally funded units such as the Regional Organised Crime Unit (ROCU), funding to support work with the Innovation Partner and other specifically funded items.

The self-funded insurance reserve has a balance of £11.7m. This reserve is used to fund liabilities relating to staff, the public, the PCC's buildings and the PCC's vehicles and equipment over and above the excess amounts on the PCC's insurance policies.

## MATERIAL ASSETS ACQUIRED, LIABILITIES INCURRED AND FINANCING OF CAPITAL EXPENDITURE

The PCC/Group has taken ownership of £3.0m of new vehicles which have been specified to reduce on-going maintenance costs and improve fuel efficiency. The building of the new Custody Blocks and the continuation of the Central Birmingham work have totalled £23.8m in year.

Overall capital expenditure for the year was planned to total £51.9m in the original budget. This was amended to £41.2m in the revised budget as the PCC/Group moved back some planned expenditure on the refurbishment of Lloyd House and construction of new Custody Blocks as a result of delays in work commencement. Actual expenditure amounted to £34.1m (equivalent to 83% of planned expenditure in the revised budget). The PCC/Group has £68m of Capital Reserves in Unapplied Capital Grants, Unapplied Capital Receipts and Earmarked Capital Reserves to meet future capital expenditure plans and other financial commitments.

Following a comprehensive review of ICT and other equipment across the Force, assets no longer in use have been identified and removed from the Asset Registers. CTU have had funding for equipment replacement and older items are no longer in use. The majority of these assets were already fully depreciated.

## PROVISIONS AND CONTINGENT LIABILITIES

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. This provision was increased to £1.7m in 2012 as additional claimants came forward. As at 31 March 2015, a significant number of the original claims have been settled. The liability in relation to all remaining claims which includes secondary claims brought after the initial tribunal decision is £1.4m. Therefore the provision for settlement of all remaining equal pay claims will be reduced to £1.4m.

The £0.35m for the cost of allowances required to meet the Governments' Carbon Reduction Scheme commitments will be reversed in 2014-15. This is because the cost of purchasing carbon credits has now stabilised and is budgeted as part of the overall premises costs for the force.

In November 2014 the Employment Appeals Tribunal (EAT) heard a case relating to a company called Bear Scotland where it was ruled that overtime should be taken into account in the calculation of holiday pay. This ruling has consequences for all police bodies. Following detailed work by Legal and Human Resources professionals across the police service the PCC has determined that West Midlands Police will have a liability of up to £0.65m for underpaid holiday pay in 2014-15 and that prudently a provision will be made for this amount in the accounts. The total value of provisions will be £2.05m in 2014-15. This is the same value as the previous year.

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 force received the judgement from the Employment Tribunal in relation to claims made for age discrimination relating to the A19 process in July. The judgement found in favour of police forces that the A19 process was not age discriminatory. The police federation representing the officers who brought this case to the tribunal now have an opportunity to appeal this judgement. Any future liability will depend on this appeal process; therefore no value can be put on any potential future liability at the Balance Sheet date.

## 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 £269m into net liabilities of £6,661m.

The actuarial losses on pension funds in 2014-15 totalled £701.5m and compared to actuarial gains of £385.6m in 2013-14. This has resulted in a growth in the overall pension's liability. The actuarial losses in 2014-15 are largely due to a reduction in yields on long term corporate bonds which in turn has significantly reduced 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 83 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 £6.93bn 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

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 have been 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)

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 has had no impact on the financial statements in 2014-15 and the relationship between the parent (the PCCWM) and the subsidiary (the CCWMP) remains the same.

IFRS 11 Joint arrangements and IFRS 12 Disclosure of interests in other entities have been reflected in these accounts. The Police and Crime Commissioner engages in a joint arrangement for the provision of motorway policing with Staffordshire and West Mercia Police forces, the provision of a West Midlands Regional and Organised Crime Unit (WMROCU) and the provision of Legal Services with Staffordshire Police force. All these arrangements have been accounted for as joint operations after applying the principles of the standards and CIPFA's interpretation of these standards.

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 two 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. These are contained within the Joint Scheme of Governance and provide consent from the Commissioner to the Chief Constable to enter into contracts to acquire or dispose of assets, other than land and buildings (subject to the requirements of Financial Regulations and Contract Standing Orders). They also provide consent for the Chief Constable to manage land and buildings in accordance with the approved Estates Strategy, Financial Regulations and Contract Standing Orders.

## **BORROWING**

The PCCWM's borrowing totals £59m (£60m in 2013-14). There has been no new borrowing during the financial year and all short term borrowing has been repaid. Details of borrowing are shown in Note 14.

## **FUTURE OUTLOOK**

Faced with the challenge of managing what are likely to be the largest reductions in Government funding for any Police area in the country and maintain and improving the services needed by local people and businesses, The PCC and the Chief Constable have embarked on an ambitious and leading edge Transformation programme, in partnership with Accenture, which is planned to improve services within much reduced resource levels.

By 2020, when there will be some 2500 fewer police officers and police staff, the Transformation programme aims to deliver:

- Increased citizen confidence, participation and satisfaction
- Improved productivity and service levels
- Reduced demand
- Improved workforce experience
- Increase in professional standards

- Improvements in evidence handling

Whilst the Government is committed to the introduction of a new Police Funding Formula, which should allocate significant additional resources to the West Midlands, and about which the PCC continues to make representations for a fairer funding deal, it seems likely, at a time of reducing national resources for policing that some form of grant damping will have to be applied if a new formula is introduced and this will continue to have a far greater impact in the West Midlands than elsewhere.

Set in the context of a carefully balanced medium term financial strategy which combines a mixture of savings, including invest to save schemes, capital investment in the estate and ICT, precept increases in line with Government guidelines and the prudent use of reserves, the budgets for 2015/16 provide for the continued recruitment of a limited number of police officers to address issues related to the age profile and demographic of the current workforce, the establishment of new police staff posts to release officers for more operational duties, the refurbishment of police headquarters as part of the estate strategy for Central Birmingham which will generate savings of over £3m per year and reduce the estate in Central Birmingham and the completion of two new custody blocks to replace out of date and inefficient existing facilities.

## **EVENTS AFTER THE REPORTING PERIOD**

On 1 April 2015 the PCC made a payment of £11.15m to the Local Government pension Scheme. This was used to pay a large portion of the deficit in the scheme for past service costs for the year 2015-16 and 2016-17. The PCC determined that making a single payment in advance derived a saving of £0.6m in comparison to making these payments monthly in arrears. This payment was a prudent use of reserves and achieved a saving which would not have been able to be achieved by investing the funds in the open market.

The Pensions Ombudsman recently published his determination in relation to a fire-fighter who retired in 2005. The determination concerns historic commutation factors in the fire scheme and the responsibilities for maintaining and updating them. The determination found that the actuary had a statutory obligation to maintain and review the commutation factors between 1999 and 2006, and should have done so proactively. In not doing so, this amounted to maladministration.

The ombudsman ordered that a new commutation factor should be prepared for this individual as if this had been carried out in December 2004. A payment was ordered to be made to the individual to reflect the recalculated commutation lump sum including interest on the back-dated payment.

The ombudsman expects Government to make arrangements for payments to be made to other individuals affected by this judgement reflecting the more beneficial terms that would have applied had commutation factors been reviewed and revised at the appropriate times. At the time of these accounts being published the Chief Constable has not been able to accurately determine the value of the liability which exists to calculate, for each individual affected, any additional pension that should be paid. There are a number of deferred and deceased pensioners whose calculations cannot be completed locally and these must be completed by GAD. This matter has been accounted for as a contingent liability.

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

Position as at 31<sup>st</sup> March 2015 including plans for the financial year 2015/16

## **1. Introduction**

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

This transfer required a change in the scheme of governance and a joint scheme of governance has now been developed by a joint senior officer group. The group meet regularly to keep the scheme current and to monitor the review of the internal control environment of the two corporations sole, culminating in the production of the two required AGSs.

## **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](http://www.west-midlands-pcc.gov.uk) or can be obtained by contacting us, details at [www.west-midlands-pcc.gov.uk/contactus.asp](http://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 the 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 directs and controls 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 Chief Constable 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 complimentary 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, Assistant Commissioner, Members of the Strategic Policing and Crime 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 Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2012)
- 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, 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 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
- ensuring compliance with the Commissioner statutory responsibilities, including
  - Setting the budget and precept
  - Development of the Police and Crime Plan
  - Commissioner’s Annual Report
  - Publication of the Statutory Information Order

## 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 joint responsibility of the Commissioner and Chief Constable. The provision and maintenance of an effective Joint Internal Audit Service, 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 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 annually to the Audit Committee on the performance of Internal Audit.

## 6. Significant Governance Issues

With effect from 22 November 2012 the Commissioner and the Chief Constable are now separate corporations sole with specific statutory responsibilities. The further development and embedding of governance arrangements and working relationships continue to be a priority. Developed by a Joint Officer Governance Board, a Scheme of Governance has been implemented, setting out the respective responsibilities and working arrangements between the Commissioner and Chief Constable. Work will continue through the Joint Governance Board into 2015/16 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 the 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. With the sad demise of the first Commissioner in July 2014, a new Commissioner was elected in August 2014. Shortly after his arrival, the new Commissioner instigated a structural review of the office governance arrangements. This review is nearing completion with steps being taken to transfer existing OPCWM staff into new responsibilities and to recruit to a number of new posts, which will further support improved governance arrangements for the Commissioner. This work will be completed in 2015/16.

Following a lengthy competitive process the acting Commissioner appointed an Innovation and Improvement Partner (IIP) during the interim period between July and August 2014 to work with the Chief Constable and the Acting Commissioner and later on the Commissioner to design and deliver a change programme, known as WMP 2020, 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 ICT infrastructure and the Corporate Estate, which will require robust project management, are also planned in the next two years.

Nevertheless, during 2014/15, the Commissioner has successfully met the challenges of:

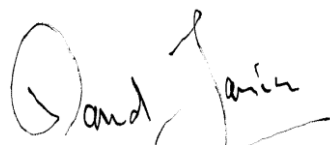
- Ensuring that service levels were maintained and improved despite the biggest reduction in Government funding levels for any Police Service in the Country during the period of the current Comprehensive Spending Review, whilst;
- Continuing to challenge the Chief Constable to demonstrate the effective 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.

Alongside this change, is the growing incidence of external grant funding, being channeled through the Commissioner from central government to be used for commissioning purposes.

These changes 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



Jonathan Jardine  
Head of Paid Staff Police and Crime Commissioner's Office West Midlands.



Mark Kenyon  
Chief Finance 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 2014-15 financial year and its position at the year end of 31 March 2015. The Commissioner is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. The regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 and the Service Reporting Code of Practice 2014-15 published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and supported by International Financial reporting Standards. Guidance notes issued by CIPFA on the application of accounting standards to local authorities have in general been followed, and any exceptions to this are disclosed below. The policies below reflect the powers and responsibilities of the 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

Assets that have physical substance and are held for use in the supply of police services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. These Non-Current Assets are disclosed 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 2014-15. It has been determined that such treatment does not make a material difference to the values of the Group's assets and component accounting of these assets has not been applied in 2014-15. 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 to 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 the Balance Sheet date these will be held at Historical Cost and will not be subject to depreciation.

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. 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 in the Comprehensive Income and Expenditure Statement. 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

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Valuation and Depreciation**

Freehold, leasehold and residential properties which the Group includes in its property portfolio were valued in 2014 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.

Depreciation is provided for on all Property Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives with the exception of freehold land and assets under

construction. Depreciation is calculated on a straight line allocation over the useful life of the property or equipment.

## **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.

#### *Internally generated intangible assets*

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

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

#### *Software*

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

### **Measurement**

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

### **Amortisation**

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

## **3. Heritage Assets**

A tangible heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Most of the PCC's heritage assets are held 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 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 that 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. Any impairment is recognised and measured in accordance with the Group policy on impairment at point 1.

#### **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 of all staff under his direction and control in his Accounts. The PCC recognises the employment and post-employment costs of the staff under his direction and control 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. This is known as intra group funding for financial resources consumed and is presented within the next cost of policing services. The Chief Constable will exercise sections 21 and 22 of the Local Government

Act 2003; the Chief Constable will disclose the pension liability and a corresponding pension reserve for all staff under his direction and control 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 is used to determine the interest rate implicit in the lease. Any initial indirect costs of the lease are added to the value of the asset. In 2014-15 the PCC has not recognised any finance leases. However a review takes place each year to determine if any such finance leases exist.

## **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 outstanding debt owing to the PCCWM is analysed each year. This analysis has highlighted that there is a very low risk of non-payment of debts. Therefore, 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 24.

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

## **9. Inventories**

Inventories 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 PCCWM sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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The purpose and nature of reserves (split between useable and unusable reserves) maintained by the PCC 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 and Contingent Assets

A contingent liability arises where an event has taken place that gives the 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 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.

A contingent asset arises where an event has taken place that gives the 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 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.

### **13. Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure 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.

### **14. Financial Assets**

Financial assets are classified into two types:

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

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

## **15. 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.

Where capital grants are received in the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Account.

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, 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 and contributions received in advance account. Capital grants that do not have any conditions imposed upon them and which are not spent at the year-end will be transferred to the Capital Grants Unapplied Account.

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

## **16. Employee Benefits**

### **Benefits payable during employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and these benefits are recognised as an expense in the year in which the employee renders service to the 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 of Services in the Comprehensive Income and Expenditure Statement when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for restructuring.

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

- a. The rate of contribution in 2014-15 was 11.4%.
- b. The liabilities of the scheme attributable to the 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 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 as a result of a scheme curtailment or amendment 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 Group – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment 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. *Re-measurements* – 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 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 will recognise the cost of police staff pensions for those staff under his direction and control as these costs are now provided separately by the actuary. This is a change to the accounting policy that was in place in 2013-14 where these amounts were included in the accounts of the Chief Constable and not separated out for the PCC. As a result the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement for 2013-14 have been restated.

The PCC recognises the cost of police staff pensions only for those staff under his direction and control which are deemed to be the staffing of the Office for Policing and Crime. All other police and police staff pensions’ costs are recognised in the accounting statements of the Chief Constable.

The PCC recognises actuarial gains and losses only to the extent that these relate to the staff of the Office for Policing and Crime.

## 17. Interest

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

## **18. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP) 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.

## **19. Council Tax Income**

The council tax precept income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. This 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 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 his share of cash collected from council taxpayers. The PCCWM also recognises in his Balance Sheet, his share of council tax debtor and creditor balances and impairment allowances from each of the billing authorities collection funds.

## **20. 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 of less to maturity will be reclassified as cash equivalents as at the Balance Sheet date.

## **21. 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.

## **22. Value Added Tax**

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

## **23. Events after the Balance Sheet date**

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

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

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

## **24. Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the 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.

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

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

Changes in accounting policies are only made when required by proper accounting 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 2015.

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 2015 and its income and expenditure for the year then ended.



Mark Kenyon CPFA  
Chief Finance Officer to the Police and Crime Commissioner  
Date: 30 September 2015

### 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 June 2015 have been certified by the responsible financial officer and approved by the Police and Crime Commissioner for the West Midlands on 22 September 2015, 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 large initial 'D' and a long horizontal stroke at the end.

David Jamieson  
Police and Crime Commissioner for the West Midlands  
Date: 30 September 2015

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

We have audited the financial statements of the Police and Crime Commissioner for the West Midlands for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Group and PCC Movement in Reserves Statements, the Group and PCC Comprehensive Income and Expenditure Statements, the PCC and Group Balance Sheet, the PCC and Group Cash Flow Statement, Statement of Accounting Policies and Appendix – Re-statement of 2013-14 comparatives and the related notes and include the police pension fund financial statements comprising the Fund Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Police and Crime Commissioner for the West Midlands, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Financial 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 2014/15, 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 also 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 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 the West Midlands as at 31 March 2015 and of its 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 2015 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 2014/15 and applicable law.

### **Opinion on other matters**



In our opinion, the information given in the explanatory foreword 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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- 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 its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 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 its 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 in October 2014.

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 its 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 its 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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Police and Crime Commissioner has proper arrangements for:

- securing financial resilience; and
- challenging how it 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 its use of resources for the year ended 31 March 2015.

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 its 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 2014, 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 its use of resources for the year ended 31 March 2015.

## **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 West Midlands Police and Crime Commissioner and Chief Constable'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.

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

Colmore Plaza, 20 Colmore Circus, Birmingham B4 6AT

30 September 2015

## GROUP MOVEMENT IN RESERVES STATEMENT 2014-15

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
<b>Balance at 31 March 2013</b>	<b>(12,042)</b>	<b>(113,727)</b>	<b>(22,617)</b>	<b>(18,065)</b>	<b>(166,451)</b>	<b>6,001,049</b>	<b>5,834,598</b>
<b>Movements in Reserves during 2013/14</b>							
(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)
<b>Total Comprehensive Income and Expenditure (per the CIES)</b>	<b>263,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>263,750</b>	<b>(386,209)</b>	<b>(122,459)</b>
Adjustments between accounting and funding basis under regulations	(295,569)	0	1,970	160	(293,439)	293,439	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>(31,819)</b>	<b>0</b>	<b>1,970</b>	<b>160</b>	<b>(29,689)</b>	<b>(92,770)</b>	<b>(122,459)</b>
Transfer to/from Earmarked Reserves	31,819	(30,949)	0	0	870	(870)	0
Increase/Decrease during the year	0	(30,949)	1,970	160	(28,819)	(93,640)	(122,459)
<b>Balance as at 31 March 2014 carried forward</b>	<b>(12,042)</b>	<b>(144,676)</b>	<b>(20,647)</b>	<b>(17,905)</b>	<b>(195,270)</b>	<b>5,907,409</b>	<b>5,712,139</b>
<b>Movements in Reserves during 2014/15</b>							
(Surplus) or deficit on the provision of services	254,354	0	0	0	254,354	0	254,354
Other Comprehensive Income and Expenditure	0	0	0	0	0	694,193	694,193
<b>Total Comprehensive Income and Expenditure</b>	<b>254,354</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>254,354</b>	<b>694,193</b>	<b>948,547</b>
Adjustments between accounting and funding basis under regulations	(251,411)	0	(1,890)	14,827	(238,474)	238,474	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>2,943</b>	<b>0</b>	<b>(1,890)</b>	<b>14,827</b>	<b>15,880</b>	<b>932,668</b>	<b>948,547</b>
Transfer to/from Earmarked Reserves	(2,943)	2,943	0	0	0	0	0
Increase/Decrease during the year	0	2,943	(1,890)	14,827	15,880	932,668	948,547
<b>Balance as at 31 March 2015 carried forward</b>	<b>(12,042)</b>	<b>(141,733)</b>	<b>(22,537)</b>	<b>(3,079)</b>	<b>(179,390)</b>	<b>6,840,077</b>	<b>6,660,685</b>

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 39.

## PCC MOVEMENT IN RESERVES STATEMENT 2014-15

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
<b>Balance at 31 March 2013</b>	<b>(12,042)</b>	<b>(113,727)</b>	<b>(18,677)</b>	<b>(17,745)</b>	<b>(162,191)</b>	<b>(55,950)</b>	<b>(227,118)</b>
<b>Movements in Reserves during 2013/14</b>							
(Surplus) or deficit on the provision of services	(25,350)	0	0	0	(25,350)	0	(25,350)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,110)	(1,110)
<b>Total Comprehensive Income and Expenditure (per the CIES)</b>	<b>(25,350)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(25,350)</b>	<b>(1,110)</b>	<b>(26,460)</b>
Adjustments between accounting and funding basis under regulations	(6,469)	0	1,970	160	(4,339)	4,339	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>(31,819)</b>	<b>0</b>	<b>1,970</b>	<b>160</b>	<b>(29,689)</b>	<b>3,229</b>	<b>(26,460)</b>
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)	2,359	(26,460)
<b>Balance as at 31 March 2014 carried forward</b>	<b>(12,042)</b>	<b>(144,676)</b>	<b>(20,647)</b>	<b>(17,905)</b>	<b>(195,270)</b>	<b>(58,309)</b>	<b>(253,579)</b>
<b>Movements in Reserves during 2014/15</b>							
(Surplus) or deficit on the provision of services	(10,634)	0	0	0	(10,634)	0	(10,634)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(6,697)	(6,697)
<b>Total Comprehensive Income and Expenditure</b>	<b>(10,634)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,634)</b>	<b>(6,697)</b>	<b>(17,331)</b>
Adjustments between accounting and funding basis under regulations	13,577	0	(1,890)	14,827	26,514	(26,514)	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>2,943</b>	<b>0</b>	<b>(1,890)</b>	<b>14,827</b>	<b>15,880</b>	<b>(33,211)</b>	<b>(17,331)</b>
Transfer to/from Earmarked Reserves	(2,943)	2,943	0	0	0	0	0
Increase/Decrease during the year	0	2,943	(1,890)	14,827	15,880	(33,211)	(17,331)
<b>Balance as at 31 March 2015 carried forward</b>	<b>(12,042)</b>	<b>(141,733)</b>	<b>(22,537)</b>	<b>(3,079)</b>	<b>(179,390)</b>	<b>(91,519)</b>	<b>(270,910)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2014-15 - 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 25 to the Accounts.

2013-14 gross expenditure	2013-14 gross income	2013-14 net expenditure	GROUP	Notes	2014-15 gross expenditure	2014-15 gross income	2014-15 net expenditure
£'000 restated	£'000 restated	£'000 restated			£'000	£'000	£'000
269,283	(10,858)	258,425	Local Policing		264,437	(2,883)	261,554
55,215	(13)	55,202	Dealing with the Public		48,742	0	48,742
40,432	(3,592)	36,840	Criminal Justice Arrangements		38,233	(3,605)	34,628
23,248	(4,736)	18,512	Roads Policing		22,128	(5,378)	16,750
36,172	(6,410)	29,762	Specialist Operations		34,850	(7,367)	27,483
41,670	(2,243)	39,427	Intelligence		43,463	(2,415)	41,048
157,745	(4,111)	153,634	Investigation		145,303	(4,089)	141,214
14,738	(3)	14,735	Investigative Support		13,973	(8)	13,965
44,955	(33,701)	11,254	National Policing		48,463	(37,294)	11,169
722	0	722	Non Distributed Costs	36	586	0	586
2,912	(1,707)	1,205	Corporate and Democratic Core		3,724	(1,760)	1,964
<b>687,092</b>	<b>(67,374)</b>	<b>619,718</b>	<b>Police Services Total</b>		<b>663,902</b>	<b>(64,799)</b>	<b>599,103</b>
2,424	0	2,424	Levies to National Police Service		4,185	0	4,185
1,418	(1,418)	0	Seconded Officers		1,960	(1,960)	0
<b>690,934</b>	<b>(68,792)</b>	<b>622,142</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>670,047</b>	<b>(66,759)</b>	<b>603,288</b>
1,423	0	1,423	Net (gain)/loss on disposal		138	0	138
3,034	0	3,034	Interest Payable and Similar Charges		3,011	0	3,011
0	(1,439)	(1,439)	Interest and Investment Income		0	(1,471)	(1,471)
261,241	0	261,241	Pension Net Interest Cost	36	262,558	0	262,558
0	(59,947)	(59,947)	Pensions Top Up Grant Receivable		0	(61,830)	(61,830)
<b>956,632</b>	<b>(130,178)</b>	<b>826,454</b>	<b>NET OPERATING EXPENDITURE</b>		<b>935,754</b>	<b>(130,060)</b>	<b>805,694</b>
0	(82,768)	(82,768)	Council Tax Payer		0	(85,478)	(85,478)
0	(275,346)	(275,346)	Police Grant		0	(268,708)	(268,708)
0	(0)	(0)	Revenue Support Grant		0	0	0
0	(197,464)	(197,464)	Non-Domestic Rates		0	(188,212)	(188,212)
0	(7,126)	(7,126)	Non-Specific Government Grants		0	(8,941)	(8,941)
<b>956,632</b>	<b>(692,882)</b>	<b>263,750</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>935,754</b>	<b>(681,399)</b>	<b>254,355</b>
		<b>(650)</b>	(Surplus)/Deficit on the revaluation of fixed assets				<b>(7,267)</b>
		<b>(385,559)</b>	Re-measurement of the net defined benefit liability				<b>701,460</b>
		<b>(386,209)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>694,193</b>
		<b>(122,459)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>948,548</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2014-15 – PCC (SINGLE ENTITY)

2013-14 gross expenditure (re-stated) £'000	2013-14 gross Income (re-stated) £'000	2013-14 net expenditure (re-stated) £'000	PCC	Notes	2014-15 gross expenditure £'000	2014-15 gross income £'000	2014-15 net expenditure £'000
30,758	(8,049)	22,709	Local Policing		28,017	(246)	27,771
5,135	(1)	5,134	Dealing with the Public		4,233	0	4,233
3,763	(336)	3,427	Criminal Justice Arrangements		3,323	(307)	3,016
2,162	(430)	1,732	Roads Policing		1,921	(458)	1,463
3,364	(601)	2,763	Specialist Operations		3,027	(628)	2,399
3,950	(210)	3,740	Intelligence		3,845	(206)	3,639
14,670	(2,588)	12,082	Investigation		12,620	(1,661)	10,959
1,370	0	1,370	Investigative Support		1,213	(8)	1,205
4,181	(3,157)	1,024	National Policing		4,019	(3,178)	841
4	0	4	Non Distributed Costs	36	0	0	0
3,082	(1,707)	1,375	Corporate and Democratic Core		3,724	(1,760)	1,964
<b>72,439</b>	<b>(17,079)</b>	<b>55,560</b>	<b>Total Cost of Services</b>		<b>65,942</b>	<b>(8,452)</b>	<b>57,490</b>
2,424	0	2,424	Levies to National Police Service		4,185	0	4,185
0	0	0	Seconded Officers		0	0	0
51,713	(51,713)	0	Funding receivable (paid to Chief Constable)		58,307	(58,307)	0
<b>476,474</b>	<b>0</b>	<b>476,474</b>	<b>PCC funding to the CC for financial resources consumed</b>		<b>477,289</b>		<b>477,289</b>
<b>603,050</b>	<b>(68,792)</b>	<b>534,258</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>605,723</b>	<b>(66,759)</b>	<b>538,964</b>
1,423	0	1,423	Net (gain)/loss on disposal		138	0	138
3,034	0	3,034	Interest Payable and Similar Charges		3,011	0	3,011
0	(1,439)	(1,439)	Interest and Investment Income		0	(1,471)	(1,471)
78	0	78	Pension Interest Cost and expected return on assets		64	0	64
59,947	(59,947)	0	Pensions Top Up Grant Receivable (paid to CC)		61,830	(61,830)	0
<b>667,532</b>	<b>(130,178)</b>	<b>537,354</b>	<b>NET OPERATING EXPENDITURE</b>		<b>670,766</b>	<b>(130,060)</b>	<b>540,706</b>
0	(82,768)	(82,768)	Council Tax Payer		0	(85,478)	(85,478)
0	(275,346)	(275,346)	Police Grant		0	(268,708)	(268,708)
0	(0)	(0)	Revenue Support Grant		0	0	0
0	(197,464)	(197,464)	Non-Domestic Rates		0	(188,212)	(188,212)
0	(7,126)	(7,126)	Non-Specific Government Grants		0	(8,941)	(8,941)
<b>667,532</b>	<b>(692,882)</b>	<b>(25,350)</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>670,766</b>	<b>(681,399)</b>	<b>(10,634)</b>
		<b>(650)</b>	(Surplus)/Deficit on the revaluation of fixed assets				<b>(7,267)</b>
		<b>(460)</b>	Re-measurement of the net defined benefit liability				<b>570</b>
		<b>(1,110)</b>	<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(6,697)</b>
		<b>(26,460)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(17,331)</b>

The PCC funding to the Chief Constable is shown as expenditure in the PCC's accounts and income in the Chief Constable's accounts as this represents the transfer of resources to the Chief Constable to allow him to carry out effective police services. The PCC also receives income on behalf of the Chief Constable which again is transferred to the Chief Constable where this relates to policing activities.

## GROUP AND PCC BALANCE SHEET 2014-15

*Mark la*

These financial statements replace the unaudited financial statements approved at the Joint Audit Committee meeting on 25<sup>th</sup> June 2015.

	Notes	PCC as at 31 March 2014 £'000	Group as at 31 March 2014 £'000	PCC as at 31 March 2015 £'000	Group as at 31 March 2015 £'000
<b>Operational Assets:</b>					
Land and Buildings	8	88,323	88,323	82,706	82,706
Vehicles, Plant, Furniture and Equipment	8	13,611	13,611	13,602	13,602
<b>Non Operational Assets: Assets Under Construction</b>		1,856	1,856	38,186	38,186
<b>Heritage Assets</b>	9	186	186	186	186
<b>Intangible Assets: (Software)</b>	12	2,167	2,167	3,881	3,881
		<b>106,143</b>	<b>106,143</b>	<b>138,561</b>	<b>138,561</b>
Long-term Investments	15	32,177	32,177	23,106	23,106
Long-term Debtors	16	1,940	1,940	1,309	1,309
<b>Long-Term Assets</b>		<b>140,260</b>	<b>140,260</b>	<b>162,976</b>	<b>162,976</b>
Short term investments	15	129,757	129,757	117,968	117,968
Inventory	18	876	876	919	919
Short Term Debtors	19	36,205	36,205	35,144	35,144
Assets held for sale (< 1 year)	21	825	825	0	0
Cash and Cash equivalents	20	42,529	42,529	63,836	63,836
<b>Current Assets</b>		<b>210,192</b>	<b>210,192</b>	<b>217,867</b>	<b>217,867</b>
Short-term borrowing		(975)	(975)	(3,021)	(3,021)
Bank Overdraft	20	(2,466)	(2,466)	(1,359)	(1,359)
Short-term Creditors	22	(31,373)	(31,373)	(45,421)	(45,421)
Accumulated Absences Creditor	24	0	(3,149)	0	(3,225)
Provisions	38	(2,050)	(2,050)	(2,050)	(2,050)
<b>Current Liabilities</b>		<b>(36,864)</b>	<b>(40,013)</b>	<b>(51,851)</b>	<b>(55,076)</b>
Capital Long-Term Borrowing	14	(58,546)	(58,546)	(55,978)	(55,978)
Pensions Liability		(1,463)	(5,964,031)	(2,104)	(6,930,474)
Long-Term Liabilities		<b>(60,009)</b>	<b>(6,022,577)</b>	<b>(58,082)</b>	<b>(6,986,452)</b>
<b>Net Assets:</b>		<b>253,579</b>	<b>(5,712,138)</b>	<b>270,909</b>	<b>(6,660,685)</b>
<b>Usable Reserves:</b>					
Usable Capital Receipts Reserve	6	(20,647)	(20,647)	(22,537)	(22,537)
Other Earmarked Reserves	7	(64,087)	(64,087)	(93,278)	(93,278)
General Fund Reserves	7	(12,042)	(12,042)	(12,042)	(12,042)
Budget Reserve	7	(70,492)	(70,492)	(38,357)	(38,357)
Redundancy and Equal Pay Reserve	7	(10,097)	(10,097)	(10,097)	(10,097)
Capital Grants Unapplied	6	(17,906)	(17,906)	(3,079)	(3,079)
<b>Unusable Reserves:</b>					
Capital Adjustment Account	24	(46,047)	(46,047)	(73,584)	(73,584)
Revaluation Reserve	24	(11,276)	(11,276)	(17,388)	(17,388)
Pensions Reserve	36	1,463	5,964,031	2,104	6,930,474
Deferred Capital Receipts		(1,940)	(1,940)	(1,309)	(1,309)
Financial Instrument Adjustment Account	24	0	0	0	0
Collection Fund Adjustment Account	24	(508)	(508)	(1,341)	(1,341)
Accumulated Compensated Absences Account	24	0	3,149	0	3,225
<b>Total Reserves:</b>		<b>(253,579)</b>	<b>5,712,138</b>	<b>(270,909)</b>	<b>6,660,685</b>

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 2014-15

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 2014		Note	As at 31 March 2015	
£'000	£'000		£'000	£'000
<u>Operating Activities</u>				
EXPENDITURE				
494,511			492,625	
100,385			94,858	
3,034			3,011	
<b>597,930</b>			<b>590,495</b>	
CASH OUTFLOWS GENERATED FROM OPERATING ACTIVITIES				
INCOME				
(82,767)			(85,478)	
(197,464)			(188,212)	
(0)			(0)	
(325,730)			(316,396)	
(825)			(433)	
(1,439)			(1,471)	
(24,681)			(29,431)	
<b>(632,906)</b>			<b>(621,421)</b>	
CASH INFLOWS GENERATED FROM OPERATING ACTIVITIES				
	<b>(34,976)</b>			<b>(30,926)</b>
<b>Net cash flows from operating activities</b>				
<u>Investing activities</u>				
EXPENDITURE				
10,680			31,083	
(8,904)			(9,071)	
(1,940)			0	
<b>(164)</b>			<b>22,012</b>	
CASH OUTFLOWS GENERATED FROM INVESTING ACTIVITIES				
INCOME				
(1,030)			(1,890)	
67,456			(11,790)	
<b>66,426</b>			<b>(13,049)</b>	
CASH INFLOWS GENERATED FROM INVESTING ACTIVITIES				
	<b>66,262</b>			<b>8,963</b>
<b>Net cash flows from investing activities</b>				
<u>Financing activities</u>				
(609)			(450)	
Repayments of short and long term borrowing				
	<b>(609)</b>			<b>(450)</b>
<b>Net cash flows from financing activities</b>				
	<b>30,677</b>	45		<b>(22,413)</b>
	<b>70,741</b>	46		<b>40,064</b>
	<b>40,064</b>	46		<b>62,477</b>
Net (increase)/decrease in cash and cash equivalents				
Cash and cash equivalents at the beginning of the reporting period				
Cash and cash equivalents at the end of the reporting period				



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## 1. RE-STATEMENT OF COMPARATIVE FIGURES

In the 2013-14 Statement of Accounts the funding provided by the PCC to the CCWMP for the financial resources consumed were presented at the foot of the Chief Constable's Comprehensive Income and Expenditure Statement. In this year's Statement of Accounts this intra-group transfer of resources has been included within the net cost of police services to property reflect the actual cost of policing the West Midlands and the net cost of policing services based on the local arrangements that exist between the Chief Constable and the Commissioner.

In the 2013-14 Statement of Accounts the cost of pensions for the staff within the Office for Policing and Crime which were under the direction and control of the Commissioner were not recognised in the Commissioners accounts. This was done because there had been no separate actuarial assessment of the assets and liabilities attributable to the staff under the Commissioners direction and control. As a result, due to their low value and lack of material impact on the accounts the assets and liabilities of the Commissioner were shown within the overall assets and liabilities of the Local Government pension Scheme which were disclosed in the accounts of the Chief Constable.

In 2014-15 the actuary responsible for producing data for the Local Government Pension Scheme was able to provide a separate disclosure statement for the pension assets and liabilities of the Chief Constable and the Police and Crime Commissioner. Consequently, the defined benefit pensions notes for 2013-14 have been restated to show the portions of the Local Government pension scheme that relate to the PCC and Chief Constable separately.

In addition, the Balance Sheet, Movement in Reserves Statement and Comprehensive Income and Expenditure Statement for the PCC have been restated to show the effect of the pensions liabilities and assets which should be disclosed in the PCC's accounts.

These changes have no overall impact on the General Fund Balance. The restatements involving the changes to pension costs are shown in an appendix to these accounting statements starting on page 101.

## 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 2014-15 (the Code) and IAS 8 requires the PCCWM to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced in the 2015/16 Code that are relevant to the requirements are:

- IFRS 13 Fair Value Measurements (May 2011),
- IFRIC 21 Levies; and
- Annual improvements to IFRSs (2011-2013 cycle) which includes:

IFRS 1: Meaning of effective IFRSs;

IFRS 3 Scope exceptions for joint ventures;

IFRS 13 Scope of paragraph 52 (portfolio exception); and

IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as an investment property or owner-occupied property

## **IFRS 13 Fair Value Measurement**

IFRS 13 defines fair value and provides guidance on the measurement of fair value as well as on the disclosures required to enable users of the accounts to understand the valuation techniques applied in measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The principle is that fair value represents an exit price of an asset or liability from the perspective of market participants at the measurement date. This does not take into account the entity's intention for the asset, liability or equity. This differs from the 2013-14 Code where property, plant and equipment is required to be measured at existing use.

The standard will require the PCCWM to disclose supporting fair value measurements in particular where fair value has been calculated using valuation techniques that are not derived from market valuation or exit prices. The standard will apply prospectively from 01 April 2014 so there is no requirement to produce prior year restatements.

For Land and Buildings which are currently measured as fair value in existing use there may be some change in fair value measurement where current use is not the same as highest and best use.

For Vehicles, Plant, Furniture and Equipment which for most assets in this class are currently measured at depreciated historical cost as a proxy for fair value it is anticipated that only a small volume of assets will be measured at fair value so no significant change is expected.

No change is expected for assets under construction.

## **IFRIC 21 Levies:**

This interpretation is applicable to all levies other than outflows that are within the scope of other standards and fines or other penalties for breaches of legislation. Levies are defined as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. A liability is recognised for a levy when the activity that triggers payment of the levy under the specified legislation occurs. When the liability is triggered depends on the individual characteristics of the levy. This change in accounting standard is not expected to have any material impact of the accounts of the PCC or Group.

## **IFRS 1 Meanings of effective IFRSs:**

The objective of this amendment is to clarify the meaning of each IFRS effective at the end of an entity's first IFRS reporting period as used in paragraph 7 of IFRS 1 First-time adoption of IFRSs.

The IASB learned that there was uncertainty about which version of an IFRS should be applied in an entity's first IFRS financial statements in circumstances where a new or a revised IFRS that is not yet mandatory, but that can be adopted early, has been issued. The IASB was asked to clarify which version of the IFRS should be applied.

As a result the IASB amended the Basis for Conclusions of IFRS 1 to clarify that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements. This standard is not expected to have any impact on the accounts of the PCC in 2014-15.

## **IFRS 3 Scope exceptions for joint ventures:**

The objective of this amendment is to clarify that paragraph 2(a) of IFRS 3 Business Combinations

- a. excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and

- b. the scope exception only applies to the financial statements of the joint venture or the joint operation itself.

The standard has been amended to clarify that paragraph 2(a) of IFRS 3 should be amended to address all types of joint arrangements and to remove uncertainty about the financial statements to which it applies. Consequently, the IASB proposes to amend paragraph 2(a) of IFRS 3 to:

- a. exclude the formation of all types of joint arrangements from the scope of IFRS 3 by replacing 'joint venture' with 'joint arrangement'; and
- b. clarify that it only excludes the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself from the scope of IFRS 3.

### **IFRS 13 Scope of paragraph 52 (portfolio exception)**

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception. This amendment clarifies that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. This standard is not expected to have any impact on the accounts of the PCC in 2015-16.

### **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 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 based on the local arrangements which have been determined through the joint scheme of corporate governance which exists between the 2 corporation soles.

- It has been determined that the provision for the settlement of equal pay claims made against the former Police Authority shall be reduced by £0.3m to £1.4m in 2014-15. 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 remain outstanding from former and current colleagues. In addition the provision for carbon credits has been removed from the accounts. A new provision has been made in the accounts for the cost of increased holiday pay where officers and police staff have worked regular overtime. This is based on a legal ruling in November 2014 and reflects an estimate of the liability which the PCC believes exists to meet the costs of increased holiday pay in 2014-15.
- There remain uncertainties about the future financial settlement for 2016-17 and beyond concerning the level of funding that the Commissioner will receive from Government. Indeed the funding for 2015-16 may be subject to change following the outcome of the Chancellor of the Exchequer's emergency budget on 8 July 2015. There are also uncertainties about the limitations around future precept increases and impacts of Council Tax Benefits and Universal Credit changes.
- A judgement has been made in relation to the liability of police bodies to make payments to police officers affected by a decision on 15<sup>th</sup> May by the Pensions Ombudsman that the Government Actuaries Departments failed to maintain and update commutation factors adequately between 1999 and 2006.

The ombudsman ordered that a new commutation factor should be prepared for the individual named in the judgement as if this had been carried out in December 2004. A payment was ordered to be made to the individual to reflect the recalculated commutation lump sum including interest on the back-dated payment.

The ombudsman expects Government to make arrangements for payments to be made to other individuals affected by this judgement reflecting the more beneficial terms that would have applied had commutation factors been reviewed and revised at the appropriate times. Guidance was made available to police bodies by GAD on 21 July 2015 to provide a methodology for the calculation of the liability for individual officers. A judgement has been made that the liability will be treated as a contingent liability. This judgement is based on 2 factors. Firstly, the calculation pro-forma provided by GAD does not allow the PCC to determine the value of underpaid pensions for deceased and deferred officers. These calculations must be performed by GAD and will not be available by the date of account publication. Secondly, at the time of publication, management is of the view that the value of any liability cannot be reliably measured in respect of West Midlands Police. In our judgement, the information does not exist to enable us to calculate a reasonable estimate of the liability, nor is it possible for this evidence to be reasonably obtained or calculated in order to arrive at a provision for West Midlands Police. As the Home Office is proposing to fund the liability through the top-up grant process, we have also recognised a corresponding contingent asset for this payment.

#### 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 2015 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 £84K for every year that useful lives have to be reduced. The Net Book Value of Property, Plant and Equipment as at 31 March 2015 is £134.5m (£103.8m in 2013-14)
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 2015 is £6,930m (£5,964m in 2013-14). 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 applicable to the PCC at 31 March 2015 is £6.48m (6.13m in 2013-14) The bad debt provision for all Local Authorities is £83.45m as at 31 March 2015 (£79.36m in 2013-14)

## 5. EVENTS AFTER THE BALANCE SHEET DATE

On 1 April 2015 the PCC made a payment of £11.15m to the Local Government pension Scheme. This was used to pay a large portion of the deficit in the scheme for past service costs for the year 2015-16 and 2016-17. The PCC determined that making a single payment in advance derived a saving of £0.6m in comparison to making these payments monthly in arrears. This payment was a prudent use of reserves and achieved a saving which would not have been able to be achieved by investing the funds in the open market.

On 15<sup>th</sup> May the Pensions Ombudsman published his final determination in the case of Milne verses the Government Actuaries Department. This case related to a fire fighter who retired in 2005.

The determination concerns historic commutation factors in the fire scheme and the responsibilities for maintaining and updating them. The determination found that the actuary had a statutory obligation to maintain and review the commutation factors between 1999 and 2006, and should have done so proactively. In not doing so, this amounted to maladministration.

The Ombudsman ordered that a new commutation factor should be prepared for this individual as if this had been carried out in December 2004. A payment was ordered to be made to the individual to reflect the recalculated commutation lump sum including interest on the back-dated payment.

The Ombudsman expects Government to make arrangements for payments to be made to other individuals affected by this judgement reflecting the more beneficial terms that would have applied had commutation factors been reviewed and revised at the appropriate times. The Government Actuaries Department is the body responsible for producing, maintaining and updating the commutation factors for both the Fire service pension scheme and the Police Pension Scheme. Hence this judgement is also expected to impact on Police bodies.

The Home Office have advised that payments relating to this ruling should be made from the Police Pension Fund Account. This will be fully re-imbursed by the Home Office according to existing arrangements for the payment of the Police Pension top-up grant. At the time of these accounts being published the Chief Constable has not been able to accurately determine the value of the liability which exists to calculate, for each individual affected, any additional pension that should be paid. There are a number of deferred and deceased pensioners whose calculations cannot be completed locally and these must be completed by the Government Actuaries Department. This issue has been accounted for as a contingent liability and is referred to in note 39 in the accounts.



# 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.

2014-15 Group	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non current assets	(9,393)			(9,393)	9,393
Revaluation losses on Property, Plant and Equipment	3,084			3,084	(3,084)
Amortisation of intangible assets	(1,674)			(1,674)	1,674
Capital grants and contributions applied	23,767			23,767	(23,767)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to the CIES	(1,392)			(1,392)	1,392
de-minimis capital purchases	(436)			(436)	436
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Statutory provision for the financing of capital investment (MRP)	1,531			1,531	(1,531)
Capital expenditure charged against the general fund balance	10,371			10,371	(10,371)
Voluntary provision above MRP	525			525	(525)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	8,940		(8,940)	0	
Application of grants to capital financing transferred to the Capital Adjustment Account	(23,767)		23,767	0	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,259	(1,259)		0	
Use of the Capital Receipts Reserve to finance new capital expenditure					
Transfer from deferred Capital Receipts		(631)		(631)	631
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements					
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(344,443)			(344,443)	344,443
Employers pensions contributions and direct payments to pensioners payable in the year	79,460			79,460	(79,460)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
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	833			833	(833)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
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	(76)			(76)	76
<b>TOTAL ADJUSTMENTS</b>	<b>(251,411)</b>	<b>(1,890)</b>	<b>14,827</b>	<b>(238,474)</b>	<b>238,474</b>

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
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account</b>					
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</b>					
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)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
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
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
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)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
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)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>					
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)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
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)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
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)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
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	(436)			(436)	436
<b>TOTAL ADJUSTMENTS</b>	<b>(295,569)</b>	<b>1,970</b>	<b>160</b>	<b>(293,439)</b>	<b>293,439</b>

2014-15 PCC	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non current assets	(9,393)			(9,393)	9,393
Revaluation losses on Property, Plant and Equipment	3,084			3,084	(3,084)
Amortisation of intangible assets	(1,674)			(1,674)	1,674
Capital grants and contributions applied	23,767			23,767	(23,767)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to the CIES	(1,392)			(1,392)	1,392
de-minimis capital purchases	(436)			(436)	436
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Statutory provision for the financing of capital investment (MRP)	1,531			1,531	(1,531)
Capital expenditure charged against the general fund balance	10,371			10,371	(10,371)
Voluntary provision above MRP	525			525	(525)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	8,940		(8,940)	0	
Application of grants to capital financing transferred to the Capital Adjustment Account	(23,767)		23,767	0	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,259	(1,259)		0	
Use of the Capital Receipts Reserve to finance new capital expenditure				(631)	631
Transfer from Deferred Capital Receipts		(631)		(631)	631
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement					
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements					
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(215)			(215)	215
Employers pensions contributions and direct payments to pensioners payable in the year	144			144	(144)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
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	833			833	(833)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
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
<b>TOTAL ADJUSTMENTS</b>	<b>13,577</b>	<b>(1,890)</b>	<b>14,827</b>	<b>26,514</b>	<b>(26,514)</b>

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
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account</b>					
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</b>					
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)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
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
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
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)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
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)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>					
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)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(248)			(248)	248
Employers pensions contributions and direct payments to pensioners payable in the year	113			113	(113)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
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)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
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
<b>TOTAL ADJUSTMENTS</b>	<b>(6,469)</b>	<b>1,970</b>	<b>160</b>	<b>(4,339)</b>	<b>4,339</b>

## 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 2014-15.

	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	Trf to reserves in 2014- 15	Trf from reserves in 2014- 15	Trf between reserves in 2014-15	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital	(40,400)	0	600		(39,800)	0	0	(2,599)	(42,399)
Budget reserve	(28,330)	(26,887)	2,524	(17,799)	(70,492)	0	6,643	25,492	(38,357)
Redundancy and Equal pay reserve	(13,000)	(6,097)	0	9,000	(10,097)	0	0	0	(10,097)
Self funded insurance	(11,506)	(2,506)	3,909	(2,897)	(13,000)	(2,506)	3,854	0	(11,652)
Devolved Budget	(7,487)	(4,004)	1,336	7,702	(2,453)	(4,301)	0	0	(6,754)
Uniform and protective equipment reserve	(6,498)	(429)	1,417	2,510	(3,000)	(430)	706	0	(2,724)
Mobile Data project reserve	(2,599)	0	0	0	(2,599)	0	0	2,599	0
Major incidents	(2,153)	0	0	0	(2,153)	0	0		(2,153)
Football overtime	(784)	0	0	784	(0)	0	0	0	0
PoCA income reserve	0	(1,082)	0	0	(1,082)	0	0	0	(1,082)
Helicopter	(400)	0	0	400	0	0	0	0	0
Restructuring	(300)	0	0	300	0	0	0	0	0
Financial Instrument impairment reserve	(270)	0	270	0	0	0	0	0	0
Risk Reserve	0	0	0	0	0	(1,022)	0	0	(1,022)
Budget Resilience Reserve	0	0	0	0	0	0	0	(25,492)	(25,492)
<b>Earmarked Reserves</b>	<b>(113,728)</b>	<b>(41,005)</b>	<b>10,056</b>	<b>0</b>	<b>(144,676)</b>	<b>(8,259)</b>	<b>11,202</b>	<b>0</b>	<b>(141,732)</b>
<b>General Fund Reserves</b>	<b>(12,042)</b>	<b>0</b>	<b>0</b>		<b>(12,042)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,042)</b>

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

## NOTES TO THE BALANCE SHEET

### 8 PROPERTY, PLANT AND EQUIPMENT – MOVEMENT ON BALANCES

#### Movements in 2014-15

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation at 31 March 2014</b>	<b>101,882</b>	<b>77,193</b>	<b>1,856</b>	<b>180,931</b>
Additions in Year	105	6,787	23,830	30,722
Transfer between Categories	(12,468)	(32)	12,500	0
De Minimis	(34)	(391)		(425)
Disposals in Year	(386)	(15,997)		(16,383)
Revaluation Gains in Year	(1,121)			(1,121)
Revaluation Losses in Year	(3,149)			(3,149)
Impairments in Year				
<b>Cost or valuation at 31 March 2015</b>	<b>84,829</b>	<b>67,560</b>	<b>38,186</b>	<b>190,575</b>
<b>Accumulated Depreciation at 31 March 2014</b>	<b>13,560</b>	<b>63,582</b>	<b>0</b>	<b>77,142</b>
Depreciation Charge in Year	3,236	6,157		9,393
Transfer between Categories	24	(24)		0
Depreciation written out on Revaluation	(10,112)			(10,112)
Depreciation written out on Revaluation Loss	(4,489)			(4,489)
Depreciation written out on Impairment				
Disposals in Year	(96)	(15,756)		(15,852)
<b>Accumulated Depreciation at 31 March 2015</b>	<b>2,123</b>	<b>53,959</b>	<b>0</b>	<b>56,082</b>
<b>Net Book Value at 31 March 2015</b>	<b>82,706</b>	<b>13,601</b>	<b>38,186</b>	<b>134,493</b>
<b>Net Book Value at 31 March 2014</b>	<b>88,322</b>	<b>13,611</b>	<b>1,856</b>	<b>103,789</b>

A Full revaluation of the Property Portfolio was carried out in 2014/15 with an effective date of 1 April 2014. These assets were valued at Fair Value based on Existing Use Value. Revaluation Gains and Losses are comprised of a change in Asset value combined with a write out of previously charged depreciation. Revaluation losses include revaluation gains which reverse losses charged to the CIES in prior years.

Management have reviewed the carrying values of assets as at 31 March 2015 and are satisfied that they are not materially misstated.

## Comparative Movements in 2013-14

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation at 31 March 2013</b>	<b>114,850</b>	<b>86,123</b>	<b>135</b>	<b>201,108</b>
Additions in Year	2,322	6,711	1,725	10,758
Transfer 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)
<b>Cost or valuation at 31 March 2014</b>	<b>101,882</b>	<b>77,193</b>	<b>1,856</b>	<b>180,931</b>
<b>Accumulated Depreciation at 31 March 2013</b>	<b>23,166</b>	<b>67,271</b>	<b>0</b>	<b>90,437</b>
Depreciation Charge in Year	4,786	8,097	0	12,883
Transfer 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)
<b>Accumulated Depreciation at 31 March 2014</b>	<b>13,560</b>	<b>63,582</b>	<b>0</b>	<b>77,142</b>
<b>Net Book Value at 31 March 2014</b>	<b>88,322</b>	<b>13,611</b>	<b>1,856</b>	<b>103,789</b>
<b>Net Book Value at 31 March 2013</b>	<b>91,684</b>	<b>18,852</b>	<b>135</b>	<b>110,671</b>

## 9. HERITAGE ASSETS

The heritage assets held by the PCCWM are separated into two 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 2015 was £2m. The Central Custody block in Birmingham commenced construction in 2014/15 and has an outstanding commitment at 31 March 2015 of £11m.

The refurbishment of Lloyd House, part of an estates strategy for Birmingham city centre, commenced works in 2014/15 and has an outstanding commitment with the main contractor of £23m.

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 14	31 March 15
Operational Police Stations	40	24
Beat Offices	48	62
Police Administrative Buildings	5	4
Police Houses	24	21
Stand alone Radio Aerials	2	2
Garages	1	1
Training Centres	4	4
Other Property	37	40

The above descriptions relate to the main function of each site. Police Stations are those stations which satisfy the latest Home Office criteria (including having a counter open to the Public for at least part of the day).

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:

	2013-14			2014-15		
	Internally generated assets £'000	Other Assets £'000	Total £'000	Internally generated assets £'000	Other assets £'000	Total £'000
<b>Balance at start of year</b>						
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
<b>Net carrying amount at start of year</b>	<b>0</b>	<b>4,037</b>	<b>4,037</b>	<b>0</b>	<b>2,167</b>	<b>2,167</b>
<b>Additions</b>						
Internal Development	0	0	0	0	0	0
Purchases	0	557	557	0	3,416	3,416
Net Disposals in year	0	(10)	(10)	0	(17)	(17)
Amortisation for the period	0	(2,386)	(2,386)	0	(1,674)	(1,674)
Transfer between categories	0	0	0	0	0	0
De Minimis	0	(31)	(31)	0	(11)	(11)
<b>Net carrying amount at the end of the year</b>		<b>2,167</b>	<b>2,167</b>		<b>3,881</b>	<b>3,881</b>
<b>Comprising:</b>						
Gross carrying amounts	0	15,058	15,058	0	13,321	13,321
Accumulated amortisation	0	12,891	12,891	0	9,440	9,440
	<b>0</b>	<b>2,167</b>	<b>2,167</b>	<b>0</b>	<b>3,881</b>	<b>3,881</b>

### 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 2014 £'000	Long Term at 31 March 2015 £'000	Current at 31 March 2014 £'000	Current at 31 March 2015 £'000
Financial Liabilities at amortised cost	58,546	55,978	975	3,021
Total Borrowings	58,546	55,978	975	3,021
Loans and receivables	32,117	23,106	172,286	181,804*
Total Investments	32,117	23,106	172,286	181,804

\*This figure includes £63.8m representing investments with a maturity of less than 1 month. These are classified as cash equivalents.

Additional Financial Instruments held include:

	31 March 14 £'000	31 March 15 £'000
Short Term Debtors	12,862	15,964
Long Term Debtors	1,940	1,309
Short Term Creditors	(15,987)	(26,753)
Cash	(2,466)	(1,360)
<b>Total</b>	<b>(3,651)</b>	<b>(10,840)</b>

These financial instruments relate to the proportion of debtor, creditor and cash balances which fit the definition of financial instruments according to the CIPFA code of practice on local authority accounting. Examples are debtors and creditors which principally arise from contracts. The complete long and short term debtor and creditor balances are disclosed in notes 16, 19 and 22 respectively.

### 14. LONG TERM BORROWING

Transactions undertaken during the year were as shown below:

	31 March 14 £'000	31 March 15 £'000
Opening Balance	(59,006)	(58,546)
External Loans Raised in Year	0	0
Loans Repaid in Year	460	2,568*
<b>Closing Balance</b>	<b>(58,546)</b>	<b>(55,978)</b>

\*principal repayments due in 2015/16 classed as short term borrowing

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

	31 March 14 £'000	31 March 15 £'000
Public Works Loan Board	(49,167)	(47,167)
W.M.C.C. Debt	(9,314)	(8,811)
Birmingham City Council	(65)	0
<b>Total</b>	<b>(58,546)</b>	<b>(55,978)</b>

The Public Works Loan Board advise that they have calculated the fair value of our PWLB borrowing as £59.1m as at 31 March 2014 and £72.6m as at 31 March 2015.

The fair value of West Midlands County Council debt has been calculated as £11.3m as at 31 March 2015. 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 14	31 March 15
	£'000	£'000
PWLB accrued interest and principal repayment	515	2,518
W.M.C.C principal repayment	457	503
Birmingham City Council principal repayment	3	0
<b>Total</b>	<b>975</b>	<b>3,021</b>

These borrowings are repayable as follows:

	31 March 14	31 March 15
	£'000	£'000
Maturity within 5 years	5,318	6,137
Maturity within 6 to 10 years	11,682	13,771
Maturity within 11 to 15 years	6,699	3,304
Maturity in 15 or more years	35,822	35,787
<b>Total</b>	<b>59,521</b>	<b>58,999</b>

## 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 14	31 March 15
	£'000	£'000
Short Term Investments (Banks, Building Societies, Local Authority)	172,286	181,804*
Long Term Investments	32,177	23,106
<b>Total</b>	<b>204,463</b>	<b>204,910</b>

\*Included with this figure is the amount of £63.8m representing investments with a maturity of less than 1 month. These are classified as cash equivalents. (See note 20). The fair value of these investments has been calculated as £204.8m as at 31 March 2015; the fair value is the amount that the investments could be traded for in an arms length transaction.

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 14 £'000	31 March 15 £'000
NPAS	1,940	1,309
<b>Total</b>	<b>1,940</b>	<b>1,309</b>

## 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 by using financial instruments denominated in a currency other than sterling. The PCCWM does not currently have 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 2014/15 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 2015	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2015	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2014	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2015
	£'000	%	%	£'000	£'000
Deposits with Financial Institutions	204,910	0.16	1.00	1,995	2,085

Given that several institutions meeting the minimum credit rating criteria defaulted in 2008/09, it is important to note the estimated maximum exposure to default and uncollectability figure. There are no current 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 2014	Actual 31 March 2015
	%	%	£'000	£'000
Under 12 months	25	0	975	3,021
12 months and within 24 months	25	0	3,062	553
24 months and within 5 years	50	0	1,281	2,563
5 years and within 10 years	75	0	11,682	13,771
10 years and above	100	25	42,521	39,091
<b>Total</b>			<b>59,521</b>	<b>58,999</b>

### 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 31<sup>st</sup> of March 2015 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. INVENTORIES

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

	Vehicle parts and fuel		Uniforms, Stationary and Reprographics		Total	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01 April	369	171	700	705	1,069	876
Purchases	904	436	2,482	1,819	3,386	2,255
Recognised as an expense in year	(1,102)	(468)	(2,477)	(1,745)	(3,579)	(2,213)
<b>Balance as at 31 March</b>	<b>171</b>	<b>139</b>	<b>705</b>	<b>779</b>	<b>876</b>	<b>918</b>

## 19. SHORT TERM DEBTORS

	31 March 2014	31 March 2015
	£'000	£'000
Central Government Bodies	22,071	17,842
Other Local Authorities and PCCs	10,038	11,772
NHS Bodies	31	43
Public Corporations and Trading Funds	1	0
Other entities and individuals	4,064	5,487
<b>Total</b>	<b>36,205</b>	<b>35,144</b>

A proportion of short term debtors are recognised as financial instruments. These have been disclosed in note 13.

## 20. CASH AND CASH EQUIVALENTS

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

	31 March 2014	31 March 2015
	£'000	£'000
Cash held by the PCCWM	351	310
Bank Current Accounts	(2,817)	(1,670)
Short term deposits with financial institutions	42,530	63,837
<b>Total</b>	<b>40,064</b>	<b>62,477</b>

The short term deposits held with financial institutions recognised as cash equivalents have less than 1 month to maturity. A proportion of cash and bank balances are disclosed as financial instruments. These are disclosed in note 13.

## 21. ASSETS HELD FOR SALE

	Non-Current	
	2013-14	2014-15
	£'000	£'000
Balance outstanding at start of year	167	825
<i>Assets newly qualified as held for sale:</i>		
Property, plant and equipment	825	0
Revaluation losses	0	(88)
Revaluation gains	0	108
<i>Assets declassified as held for sale:</i>		
Property, plant and equipment	0	0
Assets sold	(167)	(845)
Transfers from non- current to current assets	0	0
<b>Total</b>	<b>825</b>	<b>0</b>

## 22. SHORT TERM CREDITORS

	31 March 2014	31 March 2015
	£'000	£'000
Central Government Bodies	6,806	9,815
Other Local Authorities	10,129	11,274
NHS Bodies	77	19
Public Corporations and Trading Funds	63	82
Other entities and individuals	14,298	24,231
<b>Total</b>	<b>31,373</b>	<b>45,421</b>

A proportion of short term creditor balances are disclosed as financial instruments, These are disclosed in note 13.

## 23. USABLE RESERVES

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

## 24. UNUSABLE RESERVES

	31 March 2014 £'000	31 March 2015 £'000
Revaluation Reserve	(11,276)	(17,388)
Capital Adjustment Account	(46,047)	(73,584)
Financial Instrument Adjustment Account	0	0
Pensions Reserve	5,964,031	6,930,474
Deferred Capital Receipts reserve	(1,940)	(1,309)
Collection Fund Adjustment Account	(508)	(1,341)
Accumulated Absences Account	3,149	3,225
<b>Total</b>	<b>5,907,409</b>	<b>6,840,077</b>

### 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.

	2013-14 £'000	2014-15 £'000
Balance at 1 April	<b>(11,704)</b>	<b>(11,276)</b>
Adjustment to opening balance	(0)	(143)
Upward revaluation of assets	(657)	(9,099)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	7	1,832
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(650)	(7,267)
Difference between fair value depreciation and historical cost depreciation	697	563
Accumulated gains on assets sold or scrapped	381	735
Amount written off to the Capital Adjustment Account	1,078	1,298
Balance as at 31 March	<b>(11,276)</b>	<b>(17,388)</b>

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.

	2013-14 £'000	2014-15 £'000
Balance at 1 April	(51,707)	(46,047)
Adjustment to Revaluation Reserve	0	143
<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	12,189	8,830
Revaluation losses on Property, Plant and Equipment	131	(3,084)
Amortisation of intangible assets	2,386	1,675
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	4,009	657
	18,715	8,221
<b>Adjusting amounts written out</b>	266	436
<b>Net written out amount of the cost of non current assets consumed in the year</b>	18,981	8,657
<i>Capital financing applied in year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,000)	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,436)	(6,573)
Application of grants to capital financing from the Capital Grants Unapplied Account	(5,850)	(17,194)
Statutory provision for the financing of capital investment charged against the General Fund balance	(1,587)	(1,531)
Voluntary Provision for the repayment of debt	(418)	(525)
Capital expenditure charged against the General Fund balance	(1,030)	(10,371)
Balance as at 31 March	<b>(46,047)</b>	<b>(73,584)</b>

## 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.

	2013-14 £'000	2014-15 £'000
Balance at 1 April	565	0
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(295)	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0	0
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(270)	0
Balance as at 31 March	<b>0</b>	<b>0</b>

## 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 2014 £'000	31 March 2015 £'000
Balance at 1 April	<b>6,060,791</b>	<b>5,964,031</b>
Remeasurements of the net defined benefit liability or asset	(385,559)	701,460
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	367,745	344,443
Employers' pensions contributions and direct payments to pensioners payable in the year	(78,946)	(79,460)
Balance as at 31 March	<b>5,964,031</b>	<b>6,930,474</b>

## 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 2014 £'000	31 March 2015 £'000
<b>Balance at 1 April</b>	<b>392</b>	<b>(508)</b>
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)	(833)
<b>Balance at 31 March</b>	<b>(508)</b>	<b>(1,341)</b>

## 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.

	2013-14 £'000	2014-15 £'000
<b>Balance at 1 April</b>	<b>2,713</b>	<b>3,149</b>
Settlement or cancellation of accrual made at the end of the previous year	0	0
Amounts accrued at the end of the current year	2,713	3,149
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	436	76
<b>Balance at 31 March</b>	<b>3,149</b>	<b>3,225</b>

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## 25. SUBJECTIVE ANALYSIS OF THE NET COST OF POLICE SERVICES

2013-14 PCC Outturn (re- stated) £'000	2013-14 Group Outturn (re- stated) £'000		2014-15 PCC Outturn £'000	2014-15 Group Outturn £'000
0	458,031	Police Pay and Allowances	0	433,850
1,178	124,333	Police Staff and PCSO Pay and Allowances	1,242	124,015
1,054	3,425	Other Employee Expenses	601	4,079
<b>2,232</b>	<b>585,789</b>	<b>Sub Total Employee Costs</b>	<b>1,843</b>	<b>561,944</b>
17,838	21,095	Premises Related Costs	19,439	22,217
7,990	10,520	Transport/Travel Costs	7,032	9,211
29,234	51,447	Supplies & Services	30,018	60,009
2,632	6,597	Agency Expenses	4,011	8,296
14,764	14,764	Capital Financing Costs	7,784	7,784
<b>74,689</b>	<b>690,212</b>	<b>TOTAL GROSS EXPENDITURE</b>	<b>70,127</b>	<b>669,461</b>
(17,079)	(68,792)	External Income	(8,452)	(66,759)
4	722	Non-Distributed Costs	0	586
<b>57,614</b>	<b>622,142</b>	<b>NET COST - GENERAL FUND SERVICES</b>	<b>61,675</b>	<b>603,288</b>

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 reduction in pay and allowances for the group between 2013-14 and 2014-15 is due mainly to current service pension costs which have fallen by £22.6m. There has also been a reduction in real salary costs of £1.6m due to a reduction in the size of the workforce.

Capital financing expenditure has been reduced significantly as revaluation gains of non-current assets reversed some previous revaluation losses and gave a net gain within the CIES of £3m. Additionally the depreciation charge on the PCC's assets was £2m lower than in 2013-14.

The group's supplies and services costs have increased £8.6m. Of this £6.2m is due to professional services provided by the West Midlands Police 2020 partnership with Accenture.

## 26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by police service on the face of the Comprehensive Income and Expenditure Statement is that specified by the 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 2015 is as follows:

	ACC Crime, PPU & Intelligence Portfolio £000	ACC Local Policing Portfolio £000	ACC Operations Portfolio £000	ACC Security £000	Deputy Chief Constable Portfolio £000	Director of Resources Portfolio £000	West Midland Office for Policing and Crime £000	Other £000	Total £000
Fees, Charges & Other Income	(2,719)	(452)	(14,396)	(1,008)	(2,573)	(2,427)	0	(99,463)	(123,038)
Government Grant	(3,890)	0	(3,244)	(28,899)	0	0	(1,760)	1,453	(36,341)
<b>Total Income</b>	<b>(6,609)</b>	<b>(452)</b>	<b>(17,640)</b>	<b>(29,908)</b>	<b>(2,573)</b>	<b>(2,427)</b>	<b>(1,760)</b>	<b>(98,010)</b>	<b>(159,379)</b>
Employee Expenses	139,025	126,981	100,174	71,759	14,727	26,983	1,193	113,758	594,601
Other Operating Expenses	7,943	350	11,695	10,979	17,259	35,616	9,276	19,203	112,321
<b>Total Operating Expenses</b>	<b>146,968</b>	<b>127,332</b>	<b>111,870</b>	<b>82,738</b>	<b>31,987</b>	<b>62,599</b>	<b>10,469</b>	<b>132,961</b>	<b>707,352</b>
<b>Contribution to / from Reserves</b>	0	0	0	0	0	0	0	(4,449)	(4,449)
<b>Net Expenditure</b>	<b>140,359</b>	<b>126,880</b>	<b>94,230</b>	<b>52,830</b>	<b>29,413</b>	<b>60,172</b>	<b>8,709</b>	<b>30,963</b>	<b>543,556</b>

Non-portfolio areas collected under 'other' include Pensions, Capital Financing, Secondment and Command Team costs.

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2014-15
Cost of Services in Service Analysis (as above)	<b>543,556</b>
Add services not included in main analysis	60,214
Add amounts not reported to management	149,216
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(149,236)
Add Corporate Amounts	345,375
<b>Net cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>949,125</b>

2014-15

Reconciliation to Subjective Analysis	Service Analysis £000	Treated as Corporate Amount £000	Not reported to mgmt £000	Not included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(123,038)	61,830	(427)	34,245	(27,390)	0	(27,390)
Interest and investment income	0	0	0	0	0	(1,471)	(1,471)
Top Up Grant	0	0	0	0	0	(61,830)	(61,830)
Government grants and contributions	(36,341)	0	(1,037)	0	(37,377)	0	(37,377)
<b>Total Income</b>	<b>(159,379)</b>	<b>61,830</b>	<b>(1,464)</b>	<b>34,245</b>	<b>(64,768)</b>	<b>(63,301)</b>	<b>(128,069)</b>
					0		
Employee expenses	594,601	0	143,432	(175,503)	562,530	0	562,530
Other operating expenses	112,321	(1,616)	9,238	(12,427)	107,517	0	107,517
Financing Provision	0	0	(1,991)	0	(1,991)	0	(1,991)
Pension & Interest costs	0	0	0	0	0	262,558	262,558
Interest Payments	0	0	0	0	0	3,011	3,011
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	138	138
<b>Total operating expenses</b>	<b>706,922</b>	<b>(1,616)</b>	<b>150,679</b>	<b>(187,929)</b>	<b>668,056</b>	<b>265,706</b>	<b>933,762</b>
<b>Contribution to / from Reserves</b>	<b>(3,987)</b>	<b>0</b>	<b>0</b>	<b>3,987</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Operating Expenditure</b>	<b>543,556</b>	<b>60,214</b>	<b>149,216</b>	<b>(149,698)</b>	<b>603,288</b>	<b>202,405</b>	<b>805,693</b>
Council Tax Payer	0	0	0	0	0	(85,478)	(85,478)
Police Grant (including Rule 2)	0	0	0	0	0	(268,708)	(268,708)
Revenue Support Grant	0	0	0	0	0	0	0
Non-Domestic Rates	0	0	0	0	0	(188,212)	(188,212)
Non-Specific Government Grants	0	0	0	0	0	(8,941)	(8,941)
<b>(Surplus)/Deficit for the year</b>	<b>543,556</b>	<b>60,214</b>	<b>149,216</b>	<b>(149,698)</b>	<b>603,288</b>	<b>(348,934)</b>	<b>254,354</b>
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	(7,267)	(7,267)
Actuarial (gains)/losses on pension fund assets and liabilities	0	0	0	0	0	701,460	701,460
Collection fund adjustment account	0	0	0	0	0	0	0
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>543,556</b>	<b>60,214</b>	<b>149,216</b>	<b>(149,698)</b>	<b>603,288</b>	<b>345,259</b>	<b>948,547</b>

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

	ACC Crime, PPU & Intel Portfolio £000	ACC Local Policing's Portfolio £000	ACC Operations Portfolio £000	ACC Security £000	Chief Information Officer's Portfolio £000	Deputy Chief Constable Portfolio £000	Director of Resources' Portfolio £000	West Midlands Office for Policing and Crime £000	Other £000	Total £000
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)
<b>Total Income</b>	<b>(5,499)</b>	<b>(498)</b>	<b>(14,185)</b>	<b>(28,681)</b>	<b>(1,602)</b>	<b>(231)</b>	<b>(2,498)</b>	<b>(8,676)</b>	<b>(98,102)</b>	<b>(159,972)</b>
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
<b>Total Operating Expenses</b>	<b>135,094</b>	<b>138,559</b>	<b>114,430</b>	<b>82,575</b>	<b>20,553</b>	<b>10,222</b>	<b>58,785</b>	<b>10,690</b>	<b>114,193</b>	<b>685,101</b>
<b>Contribution to / from Reserves</b>	0	0	0	0	0	0	0	0	31,541	31,541
<b>Net Expenditure</b>	<b>129,595</b>	<b>138,061</b>	<b>100,245</b>	<b>53,894</b>	<b>18,951</b>	<b>9,991</b>	<b>56,287</b>	<b>2,014</b>	<b>47,632</b>	<b>556,670</b>

<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>2013-14 £000</b>
Cost of Services in Service Analysis (as above)	<b>556,670</b>
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)
<b>Net cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>(122,459)</b>

2013-14

<b>Reconciliation to Subjective Analysis</b>	<b>Service Analysis £000</b>	<b>Treated as Corporate Amount £000</b>	<b>Not reported to mgt £000</b>	<b>Not included in I&amp;E £000</b>	<b>Net Cost of Services £000</b>	<b>Corporate Amounts £000</b>	<b>Total £000</b>
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)
<b>Total Income</b>	<b>(159,972)</b>	<b>59,947</b>	<b>(489)</b>	<b>33,715</b>	<b>(66,799)</b>	<b>(61,386)</b>	<b>(128,185)</b>
					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
<b>Total operating expenses</b>	<b>685,101</b>	<b>(4,572)</b>	<b>183,533</b>	<b>(175,121)</b>	<b>688,941</b>	<b>265,698</b>	<b>954,639</b>
<b>Contribution to / from Reserves</b>	<b>31,541</b>	<b>0</b>	<b>0</b>	<b>(31,541)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Operating Expenditure</b>	<b>556,670</b>	<b>55,375</b>	<b>183,044</b>	<b>(172,947)</b>	<b>622,142</b>	<b>204,312</b>	<b>826,454</b>
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)
<b>(Surplus)/Deficit for the year</b>	<b>556,670</b>	<b>55,375</b>	<b>183,044</b>	<b>(172,947)</b>	<b>622,142</b>	<b>(358,392)</b>	<b>263,750</b>
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
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>556,670</b>	<b>55,375</b>	<b>183,044</b>	<b>(172,947)</b>	<b>622,142</b>	<b>(744,601)</b>	<b>(122,459)</b>



## 27. AGENCY EXPENDITURE

	<b>PCC 31 March 2014 £'000</b>	<b>Group 31 March 2014 £'000</b>	<b>PCC 31 March 2015 £'000</b>	<b>Group 31 March 2015 £'000</b>
Forensic Provision	0	2,056	0	2,075
National Policing Improvement Agency	2,234	2,234	3,996	3,996
National Ballistics Intelligence Service	0	502	0	495
Other agency expenditure	397	1,805	15	1,730
<b>Total agency expenditure</b>	<b>2,631</b>	<b>6,597</b>	<b>4,011</b>	<b>8,296</b>

Agency expenditure is included within the net cost of policing services (see note 25) in the group accounts. Agency expenditure in the Chief Constable's accounts excludes levies and some support costs.

## 28. EMPLOYEE REMUNERATION

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

2013-14 Police officers	2013-14 Police staff	2013-14 Total	Earnings Band	2014-15 Police Officers	2014-15 Police Staff	2014-15 Total
6,814	4,036	10,850	Less than £49,999	6,609	3,885	10,494
260	14	274	£50,000-£54,999	286	25	311
153	10	163	£55,000 - £59,999	164	12	176
31	6	37	£60,000 - £64,999	26	8	34
11	1	12	£65,000 - £69,999	20	2	22
9	4	13	£70,000 - £74,999	4	4	8
15	0	15	£75,000 - £79,999	11	1	12
4	2	6	£80,000 - £84,999	11	2	13
8	2	10	£85,000 - £89,999	2	2	4
0	1	1	£90,000 - £94,999	1	0	1
1	1	2	£95,000 - £99,999	2	0	2
0	0	0	£100,000 - £104,999	0	0	0
0	1	1	£105,000 - £109,999	0	1	1
2	1	3	£110,000 - £114,999	1	1	2
0	0	0	£115,000 - £119,999	1	0	1
1	0	1	£120,000 - £124,999	0	0	0
0	0	0	£125,000 - £129,999	0	0	0
0	0	0	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	0	0	0
1	0	1	£140,000 - £144,999	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	0	0	0
0	0	0	£195,000 - £199,999	1	0	1
<b>7,311</b>	<b>4,079</b>	<b>11,390</b>	<b>Totals</b>	<b>7,140</b>	<b>3,943</b>	<b>11,083</b>

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.

## 29. 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 2014-15

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	£'000	£'000	£'000	£'000	£'000
<b>Police and Crime Commissioner for West Midlands</b>							
Police and Crime Commissioner Mr Bob Jones		25.3	0	0	25.3	1.0	26.3
Police and Crime Commissioner Mr David Jamieson		61.0	0	0	61.0	7.0	68.0
Deputy Police and Crime Commissioner Ms Yvonne Mosquito		72.4	0	0	72.4	7.0	79.4
West Midlands Office for Policing and Crime Chief Executive		107.1	0	6.2	113.3	10.2	123.5
West Midlands Office for Policing and Crime – Chief Finance Officer		21.2	0	0	21.2	0	21.2
West Midlands Office for Policing and Crime – Legal Advisor		10.4	0	0	10.4	1.1	11.5
<b>Total:</b>		<b>297.4</b>	<b>0</b>	<b>6.2</b>	<b>303.6</b>	<b>26.3</b>	<b>329.9</b>

#### Notes:

Note 1: David Jamieson was elected in August 2014 following the sudden death of PCC Bob Jones on 1 July 2014.

Note 2: The West Midlands Office for Policing and Crime Chief Finance Officer (formerly the Police Authority Treasurer) is employed for 0.2FTE. The post holder's annualised salary is £105,000

Note 3: The West Midlands office for Policing and Crime Legal Advisor is employed for 0.39FTE. The post holder's annualised equivalent salary is £79,100. The post holder joined the OPCC in November 2014.

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	£'000	£'000	£'000	£'000
<b>Chief Constable for West Midlands Police</b>						
Chief Constable C Sims		195.3	3.0	198.3	0	198.3
Deputy Chief Constable		144.4	6.4	150.8	34.2	185.0
Assistant Chief Constable (1)		112.6	6.5	119.1	26.0	145.1
Assistant Chief Constable (2)		116.6	4.7	121.3	26.0	147.3
Assistant Chief Constable (3)		99.9	7.1	107.0	24.0	131.0
Assistant Chief Constable (4)	1	82.4	3.5	85.9	19.2	105.1
Assistant Chief Constable (5)	2	28.3	0	28.3	6.6	34.9
Temp Assistant Chief Constable (6)	3	19.7	1.0	20.7	4.6	25.3
Director of Resources		114.8	7.6	122.4	13.1	135.5
Temp Assistant Director of Resources	4	7.5	0.4	7.9	0.9	8.8
<b>Total:</b>		<b>921.5</b>	<b>40.2</b>	<b>961.7</b>	<b>154.6</b>	<b>1,116.3</b>

Notes:

- 1 This ACC commenced their role on 1 June 2014. The post holders annualised salary is £95,400
- 2 This ACC retired on 2 June 2014. The post holders annualised salary was £107,500
- 3 This Chief Superintendent acted in the role of ACC in April and May 2014 and part of January 2015.
- 4 This post holder carried out this role in April 2014 after which the role was no longer required in the Command Team structure

**Senior Officers' remuneration in 2013-14**

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	£'000	£'000	£'000	£'000
<b>Police and Crime Commissioner for West Midlands</b>						
Police and Crime Commissioner Mr Bob Jones		100.0	0	100.0	10.3	110.3
Deputy Police and Crime Commissioner Ms Yvonne Mosquito		65.0	0	65.0	6.7	71.7
West Midlands Office for Policing and Crime Chief Executive		106.5	6.5	113.0	11.0	124.0
West Midlands Office for Policing and Crime – Chief Finance Officer	1	21.0	0	21.0	0	21.0
West Midlands Office for Policing and Crime – Legal Advisor	2	13.9	0	13.9	1.4	15.3
<b>Total:</b>		<b>306.4</b>	<b>6.5</b>	<b>312.9</b>	<b>29.4</b>	<b>342.3</b>

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 holder's 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 holder's annualised salary was £83,800.

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	£'000	£'000	£'000	£'000
<b>Chief Constable for West Midlands Police</b>						
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)	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)	2	32.6	1.0	33.6	7.3	40.9
Temp Assistant Chief Constable (6)	3	8.3	0.7	9.0	1.9	10.9
Director of Resources		111.4	6.8	118.2	11.5	129.7
Temporary Assistant Director of Resources	4	30.1	1.6	31.7	3.1	34.8
Chief Information officer		99.6	0	99.6	6.8	106.4
<b>Total</b>		<b>1,065.4</b>	<b>48.1</b>	<b>1,113.5</b>	<b>168.2</b>	<b>1,281.7</b>

The benefit in kind figures above are taken from returns completed in July 2014.

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.

Note 4: The Force employed a temporary Assistant Director of Resources from December 2013. The post holders annualised salary is £90,200

### 30. TERMINATION BENEFITS

The 2014-15 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	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14 £'000	2014-15 £'000
£0 - £19,999	0	0	47	60	47	60	346	536
£20,000 - £39,999	0	0	7	14	7	14	174	405
£40,000 - £59,999	0	0	6	8	6	8	270	405
£60,000 - £79,999	0	0	1	4	1	4	67	280
£80,000 - £99,999	0	0	0	0	0	0	0	0
£100,000 - £149,999	0	0	0	2	0	2	0	240
<b>Total</b>	<b>0</b>	<b>0</b>	<b>61</b>	<b>88</b>	<b>61</b>	<b>88</b>	<b>857</b>	<b>1.866</b>

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 2015 but who have not left the Group at the Balance Sheet date.

### 31. EXTERNAL AUDIT COSTS

In 2014-15 the PCCWM incurred the following fees relating to external audit:

	Police and Crime Commissioner		Group	
	2013-14 £'000	2014-15 £'000	2013-14 £'000	2014-15 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	57	56	87	86
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	0	(13)	0	(16)
Fees payable to the Audit Commission in respect of statutory inspection	0	1	0	1

The appointed auditor in 2014-15 was Grant Thornton UK LLP. The fee payable by the PCCWM for the audit of the PCC and Group Accounts is £56,000. There is a further fee of £30,000 for the Chief Constable of West Midlands Police making a total fee of £86,000 for the Police and Crime Commissioner Group.

The PPCWM received a rebate of £13,000 for audit fees from the Audit Commission due to further cost reductions within their business in 2013-14. Hence the actual fees paid were £44,000. The Chief Constable also received a rebate on their fees of £3,000 relating to cost reductions in 2013-14, making their net fees payable £27,000.

## 32. GRANT INCOME

The Group credited the following grants to the Comprehensive Income and Expenditure Statement in 2014-15. These are separated into those grants which were credited to the PCCWM and those which were credited to the CCWMP.

	CCWMP 2013-14 £'000	PCCWM 2013-14 £'000	CCWMP 2014-15 £'000	PCCWM 2014-15 £'000
<i>Credited to Taxation and Non Specific Grant Income</i>				
Police Grant	0	275,346	0	268,708
Capital Grants Applied	0	7,126	0	8,941
Pensions top up grant receivable	59,947	0	61,830	0
<b>Total</b>	<b>59,947</b>	<b>282,472</b>	<b>61,830</b>	<b>277,649</b>
<i>Credited to Police Services</i>				
Loan Charges Grant	0	614	0	639
DIP Grant	0	0	0	0
Counter Terrorism Grant	29,462	0	30,434	0
Disorder Grant	0	691	0	101
Council Tax Freeze Grant	0	1,991	0	1,991
Other Grants	4,085	8,000	5,581	1,659

### **33. 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 32 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 £21.70m in 2014-15 (£17.58m in 2013-14). 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 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 2014-15.

#### **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 47.

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 19 and 22 respectively.



### 34. 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.

2013-14 Outturn £'000		2014-15 Programme £'000	2014-15 Outturn £'000
	Property Plant and Equipment comprising:		
	Land and Buildings:		
3,363	New Police Buildings	19,865	18,855
637	Improvements and Adaptations	9,090	5,080
	Vehicles and Equipment:		
3,692	Vehicles	3,510	3,558
3,148	IT inc. Intangible software	8,534	5,766
453	Other Equipment	200	454
23	Casualty Partnership / NABIS	0	425
<b>11,316</b>	<b>TOTAL</b>	<b>41,199</b>	<b>34,138</b>
	<b>FINANCING OF EXPENDITURE</b>		
7,286	Capital Grants	9,169	23,767
3,000	Capital Receipts	12,700	0
600	Capital Reserve	9,330	0
430	Direct Revenue Financing	10,000	10,371
<b>11,316</b>	<b>TOTAL</b>	<b>41,199</b>	<b>34,138</b>

The opening Capital Financing Requirement (CFR) at the start of the current reporting period was £39.8m and the closing CFR was £38.3m. The reduction in the CFR is made up of the Minimum Revenue Provision (MRP) representing a decrease in the underlying need to borrow.

## 35. 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 2014-15 was £3.0m including service charges and insurance.

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

	2014-15 £'000	2015-16 £'000
Lease expiring:		
Within one year	409	216
Within two to five years	1,114	266
After more than five years	159	158
<b>Total</b>	<b>1,682</b>	<b>640</b>

A number of leases are also held which can be cancelled at any time or on one month's notice. These have an annual commitment of £184k.

### Finance leases

The PCCWM does not have any finance leases in 2014-15. The PCCWM did not have any finance leases in 2013-14.

## 36. 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. . In addition the disclosures which follow also show the costs of police injury awards separately as the costs of injury pensions are material in their own right. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than 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.

The PCC recognises 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 that 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. Police Officer pension's costs are disclosed in full in the accounts of the Chief Constable as all police officers are deemed to operate under the direction and control of the Chief Constable. Pension costs for Police Staff and PCSO's have been split to show the costs of providing pensions for those staff under the direction and control of the PCC separately from those under the direction and control of the Chief Constable. The staff under the direction and control of the PCC are those involved in running the Office for the Police and Crime Commissioner and these make up than 0.93% of the pension costs of the Local Government Pension Scheme according to actuarial assessments.

The Group has obtained an actuarial valuation for the pensions relating to the staff residing in the Office for Policing and Crime and these have been included separately in the accounts although their values are not material to the overall level of assets and liabilities in the Local Government Pension Scheme.

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. In some cases the 2013-14 comparative values for PCC assets and liabilities have been estimated from the information provided by the actuary. The basis of the calculation of assets and liabilities for the PCC where these were not provided by the actuary is based on membership data which resulted in a share of 0.93% of assets and liabilities for the Police and Crime Commissioner.

## Comprehensive Income and Expenditure Statement

2014-2015	Local Government Pension Scheme PCC element £'000	Local Government Pension Scheme Group £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
<b>Net cost of services:</b>						
Current service cost	(151)	(15,207)	(103,130)	(4,270)	(20,490)	<b>(143,097)</b>
Past service (cost)/ gain	0	(15)	0	0	0	<b>(15)</b>
Curtailments	0	(571)	0	0	0	<b>(571)</b>
<b><u>Financing and Investing Income &amp; Expenditure:</u></b>						
Net Interest cost	(62)	(6,746)	(238,130)	(8,300)	(9,120)	<b>(262,296)</b>
Administration costs	(2)	(262)	0	0	0	<b>(262)</b>
<b>Total post employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(215)</b>	<b>(22,801)</b>	<b>(341,260)</b>	<b>(12,570)</b>	<b>(29,610)</b>	<b>(406,241)</b>
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	<b>0</b>
<b><u>Re-measurements of the net defined benefit liability/asset Comprising:</u></b>						
Return on plan assets (excluding the amount included in the net interest cost)	314	43,941	0	0	0	<b>43,941</b>
Actuarial gains and losses arising on changes in demographic assumptions	0	0	116,670	4,360	6,040	<b>127,070</b>
Actuarial gains and losses arising on changes in financial assumptions	(884)	(129,441)	(771,890)	66,540	(37,680)	<b>(872,471)</b>
<b>Net charge to Comprehensive Income and Expenditure Statement</b>	<b>(785)</b>	<b>(108,301)</b>	<b>(996,480)</b>	<b>58,330</b>	<b>(61,250)</b>	<b>(1,107,701)</b>

<b>2013-2014</b>	<b>Local Government Pension Scheme PCC element £'000</b>	<b>Local Government Pension Scheme Group £'000</b>	<b>1987 Police Pension Scheme £'000</b>	<b>Police Injury Awards £'000</b>	<b>2006 Police Pension Scheme £'000</b>	<b>Total £'000</b>
<u>Net cost of services:</u>						
Current service cost	(170)	(18,023)	(123,500)	(4,670)	(19,540)	<b>(165,733)</b>
Past service (cost)/ gain	0	(1)	0	0	0	<b>(1)</b>
Curtailments	0	(717)	0	0	0	<b>(717)</b>
<u>Financing and Investing Income &amp; Expenditure:</u>						
Net Interest Cost	(76)	(8,169)	(235,230)	(9,120)	(8,470)	<b>(260,989)</b>
Administration costs	(2)	(252)	0	0	0	<b>(252)</b>
<b>Total post employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(248)</b>	<b>(27,162)</b>	<b>(358,730)</b>	<b>(13,790)</b>	<b>(28,010)</b>	<b>(427,692)</b>
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	<b>0</b>
Re-measurements of the net defined benefit liability/asset comprising:						
Return on plan assets (excluding the amount included in the net interest cost)	86	9,237	0	0	0	<b>9,237</b>
Actuarial gains and losses arising on changes in demographic assumptions	(33)	(3,601)	94,390	28,620	5,950	<b>125,359</b>
Actuarial gains and losses arising on changes in financial assumptions	407	43,793	184,140	6,090	16,940	<b>250,963</b>
<b>Net charge to Comprehensive Income and Expenditure Statement</b>	<b>212</b>	<b>22,267</b>	<b>(80,200)</b>	<b>20,920</b>	<b>(5,120)</b>	<b>(42,133)</b>

## Movement in Reserves Statement

2014-2015	Local Government Pension Scheme PCC element £'000	Local Government Pension Scheme Group £'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	215	22,801	341,260	12,570	29,610	<b>406,241</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>						
Employer's contributions payable to the scheme	(144)	(15,938)	0	0	0	<b>(15,938)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(128,400)	(2,330)	5,050	<b>(125,680)</b>

2013-2014	Local Government Pension Scheme PCC element £'000	Local Government Pension Scheme Group £'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	248	27,162	358,730	13,790	28,010	<b>427,692</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>						
Employer's contributions payable to the scheme	(113)	(12,173)	0	0	0	<b>(12,173)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(128,920)	(2,260)	4,030	<b>(127,150)</b>

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:

2014-2015	Funded liabilities: Local Govt Pension Scheme PCC element	Funded liabilities: Local Govt Pension Scheme Group	Unfunded liabilities: 1987 Police Pension Scheme	Unfunded liabilities: Injury Awards Pensions	Unfunded liabilities: 2006 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(5,382)	(724,606)	(6,292,860)	(126,970)	(260,970)	<b>(7,405,406)</b>
Fair value of plan assets	3,278	474,931	0	0	0	<b>474,931</b>
Sub-total	<b>(2,104)</b>	<b>(249,675)</b>	<b>(6,292,860)</b>	<b>(126,970)</b>	<b>(260,970)</b>	<b>(6,930,475)</b>
Other movements in the liability	0	0	0	0	0	<b>0</b>
Net liability arising from the defined benefit obligation	<b>(2,104)</b>	<b>(249,675)</b>	<b>(6,292,860)</b>	<b>(126,970)</b>	<b>(260,970)</b>	<b>(6,930,475)</b>

2013-2014	Funded liabilities: Local Govt Pension Scheme PCC element	Funded liabilities: Local Govt Pension Scheme Group	Unfunded liabilities: 1987 Police Pension Scheme	Unfunded liabilities: Injury Awards Pensions	Unfunded liabilities: 2006 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(4,495)	(561,470)	(5,424,560)	(187,630)	(194,530)	(6,368,190)
Fair value of plan assets	3,032	404,159	0	0	0	404,159
Sub-total	<b>(1,463)</b>	<b>(157,311)</b>	<b>(5,424,560)</b>	<b>(187,630)</b>	<b>(194,530)</b>	<b>(5,964,031)</b>
Other movements in the liability	0	0	0	0	0	<b>0</b>
Net liability arising from the defined benefit obligation	<b>(1,463)</b>	<b>(157,311)</b>	<b>(5,424,560)</b>	<b>(187,630)</b>	<b>(194,530)</b>	<b>(5,964,031)</b>

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

2014-2015	Funded liabilities: Local Govt Pension Scheme PCC element	Funded liabilities: Local Govt Pension Scheme Group	Unfunded liabilities: 1987 Police Pension Scheme	Unfunded liabilities: Injury Awards Pensions	Unfunded liabilities: 2006 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
1 April -14	<b>(4,495)</b>	<b>(561,470)</b>	<b>(5,424,560)</b>	<b>(187,630)</b>	<b>(194,530)</b>	<b>(6,368,190)</b>
Current service cost	(151)	(15,207)	(103,130)	(4,270)	(20,490)	(143,097)
Interest cost	(198)	(25,649)	(238,130)	(8,300)	(9,120)	(281,199)
Contributions by scheme participants	(68)	(5,760)	(28,490)	0	(5,390)	(39,640)
Transfers into the scheme	0	0	(220)	0	(140)	(360)
Re-measurements of the net defined benefit liability/asset	(884)	(129,441)	(655,220)	70,900	(31,640)	(745,401)
Benefits paid	414	13,508	156,890	2,330	340	173,068
Curtailments	0	(571)	0	0	0	(571)
Past service costs	0	(15)	0	0	0	(15)
31 March-15	<b>(5,382)</b>	<b>(724,606)</b>	<b>(6,292,860)</b>	<b>(126,970)</b>	<b>(260,970)</b>	<b>(7,405,406)</b>

<b>2013-2014</b>	<b>Funded liabilities: Local Govt Pension Scheme PCC element £'000</b>	<b>Funded liabilities: Local Govt Pension Scheme Group £'000</b>	<b>Unfunded liabilities: 1987 Police Pension Scheme £'000</b>	<b>Unfunded liabilities: Injury Awards Pensions £'000</b>	<b>Unfunded liabilities: 2006 Police Pension Scheme £'000</b>	<b>Total £'000</b>
1 April -13	<b>(4,586)</b>	<b>(570,623)</b>	<b>(5,473,010)</b>	<b>(210,810)</b>	<b>(185,220)</b>	<b>(6,439,663)</b>
Current service cost	(168)	(18,023)	(123,500)	(4,670)	(19,540)	(165,733)
Interest cost	(232)	(24,918)	(235,230)	(9,120)	(8,470)	(277,738)
Contributions by scheme participants	(50)	(5,406)	(28,950)	0	(4,320)	(38,676)
Transfers into the scheme	0	0	(270)	0	(160)	(430)
Re-measurements of the net defined benefit liability/asset	411	44,235	278,530	34,710	22,890	380,365
Benefits paid	130	13,983	157,870	2,260	290	174,403
Curtailments	0	(717)	0	0	0	(717)
Past service costs	0	(1)	0	0	0	(1)
31 March-14	<b>(4,495)</b>	<b>(561,470)</b>	<b>(5,424,560)</b>	<b>(187,630)</b>	<b>(194,530)</b>	<b>(6,368,190)</b>

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

	<b>Local Government Pension Scheme PCC assets £'000</b>		<b>Local Government Pension Scheme Group assets £'000</b>	
	<b>2013-14</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2014-15</b>
01 April	2,798	3,032	378,872	404,159
Interest on plan assets	156	136	16,749	18,903
Return on plan assets excluding the amount included in the net interest expense	48	314	5,194	43,941
Employer contributions	113	144	12,173	15,938
Member contributions	48	68	5,406	5,760
Benefits paid	(130)	(414)	(13,983)	(13,508)
Administration expenses	(2)	(2)	(252)	(262)
31 March	<b>3,032</b>	<b>3,278</b>	<b>404,159</b>	<b>474,931</b>



## History of the scheme

This table shows the pension liabilities for the group as a whole.

	2014-15	2013-14	2012-13	2011-12	2010-11
	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(724,606)	(561,470)	(570,623)	(476,067)	(445,343)
1987 Police Pension Scheme	(6,292,860)	(5,424,560)	(5,473,010)	(4,556,570)	(4,289,420)
Police Injury award Pensions	(126,970)	(187,630)	(210,810)	(180,210)	(149,260)
2006 Police Pension Scheme	(260,970)	(194,530)	(185,220)	(118,270)	(87,410)
Fair value of assets in the Local Government Pension Scheme	474,931	404,159	378,872	331,620	325,588
<b>Subtotal</b>	<b>(6,930,475)</b>	<b>(5,964,031)</b>	<b>(6,060,791)</b>	<b>(4,999,497)</b>	<b>(4,645,845)**</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(249,675)	(157,311)	(191,751)	(144,447)	(119,755)
1987 Police Pension Scheme	(6,292,860)	(5,424,560)	(5,473,010)	(4,556,570)	(4,289,420)
Police Injury award Pensions	(126,970)	(187,630)	(210,810)	(180,210)	(149,260)
2006 Police Pension Scheme	(260,970)	(194,530)	(185,220)	(118,270)	(87,410)
<b>Total</b>	<b>(6,930,475)</b>	<b>(5,964,031)</b>	<b>(6,060,791)</b>	<b>(4,999,497)</b>	<b>(4,645,845)**</b>

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

Within the amounts for 2014-15, the present value of liabilities relating to the staff within the Office for the Police and Crime Commissioner are £5.382m and the fair value of the assets in the Local Government Pension Scheme that relate to the Office for the Police and Crime Commissioner are £3.278m.

The liabilities show the underlying commitments that the Group has in the long run to pay post-employment (retirement) benefits. The total liability of £6,930m has a substantial impact on the net worth of the Group recorded in the Balance Sheet, resulting in a negative overall balance of £6,661m. 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 Group in the year to 31 March 2016 is £15.69m. Expected contributions for the Police Pension Scheme in the year to 31 March 2016 are £92.2m

### 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		Police Pension Scheme	
	2013-14	2014-15	2013-14	2014-15
	Years	Years	Years	Years
Mortality Assumptions:				
<b>Longevity at 65 for current pensioners:</b>				
Men	22.9	23.0	23.4	23.3
Women	25.5	25.6	25.9	25.7
<b>Longevity at 65 for future pensioners:</b>				
Men	25.1	25.2	25.6	25.4
Women	27.8	28.0	28.0	27.9
	%	%	%	%
Rate of CPI inflation	2.4	2.10	2.50	2.20
Rate of increase in salaries	4.15	3.85	4.50	4.20
Rate of increase in pensions	2.40	2.10	2.50	2.20
Rate for discounting scheme liabilities	4.60	3.40	4.40	3.30
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 £000	Decrease in assumption £000
Longevity (increase or decrease of 1 year)	13,616	(13,616)
Rate of inflation (increase or decrease by 0.1%)	15,807	(15,807)
Rate of increase in salaries (increase or decrease by 0.1%)	5,038	(5,038)
Rate of discounting scheme liability (increase or decrease by 0.1%)	(15,467)	15,467

The actuarial gains and losses disclosed in the Local Government Pension Scheme of £85.5m are subject to an allowance for short-term pay increases at a lower rate than the long term figure of 3.75% 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)	152,000	(152,000)
Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%)	592,000	(592,000)
Rate of increase in salaries (increase or decrease by 0.5%)	120,000	(120,000)
Rate of discounting scheme liability (increase or decrease by 0.5%)	(753,000)	753,000

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 £474.9m for the fund as a whole at 31 March 2015 (£404.2m at 31 March 2014). The Funds' assets have been split into assets relating to the PCC and those relating to the Group as a whole and these consist of the following categories by proportion of the total assets of the Fund:

			PCC Fair value of Assets Held		Group Fair value of assets held	
			31 March 2014	31 March 2015	31 March 2014	31 March 2015
Asset category	Sub category	Quoted Y or N	£'000s	£'000s	£'000s	£'000s
Cash and cash equivalents	Cash instruments	Y	63	39	8,043	5,605
	Cash accounts	Y	15	95	2,870	13,820
<b>Total Cash</b>			<b>78</b>	<b>134</b>	<b>10,913</b>	<b>19,425</b>
Equity Instruments	UK quoted	Y	301	313	42,032	45,309
	UK unquoted	N	55	55	7,719	7,932
	Global quoted	Y	158	239	21,259	34,575
	Global unquoted	N	317	341	41,871	49,393
	Europe	Y	203	254	27,119	36,854
	Japan	Y	55	71	7,477	10,353
	Pacific Basin	Y	124	141	16,247	20,375
	North America	Y	294	251	38,880	36,427
Emerging Markets	Y	254	271	32,696	39,324	
<b>Total equity</b>			<b>1,761</b>	<b>1,936</b>	<b>235,300</b>	<b>280,542</b>
Bonds	UK Government fixed	Y	58	46	7,800	6,602
	UK Government indexed	Y	192	212	25,462	30,775
	UK other	Y	144	160	19,440	23,130
	Overseas other	Y	79	85	10,508	12,348
	Other	N	101	104	13,418	15,055
<b>Total Bonds</b>			<b>574</b>	<b>607</b>	<b>76,628</b>	<b>87,910</b>
Property	UK	Y	189	201	23,967	29,113
	Overseas	Y	0	0	889	0
	Property funds	Y	89	85	11,559	12,348
<b>Total property</b>			<b>278</b>	<b>286</b>	<b>36,415</b>	<b>41,461</b>
Alternatives	Commodities	Y	57	0	7,639	0
	Infrastructure	Y	88	111	11,519	16,147
	Absolute Return	Y	193	203	25,745	29,445
<b>Total Alternatives</b>			<b>338</b>	<b>314</b>	<b>44,903</b>	<b>45,592</b>
<b>Total Assets held</b>			<b>3,032</b>	<b>3,277</b>	<b>404,159</b>	<b>474,930</b>

### 37. 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.

	2013-14 Capitalised Value £'000	2014-15 Actual Payments £'000	2014-15 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	2,131	113	2,026
	<b>2,131</b>	<b>113</b>	<b>2,026</b>

### 38. 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. This provision was increased to £1.7m in 2012 as additional claimants came forward. As at 31 March 2015, a significant number of the original claims have been settled. The liability in relation to all remaining claims which includes secondary claims brought after the initial tribunal decision is £1.4m. Therefore the provision for settlement of all remaining equal pay claims will be reduced to £1.4m.

The £0.35m for the cost of allowances required to meet the Governments' Carbon Reduction Scheme commitments will be reversed in 2014-15. This is because the cost of purchasing carbon credits has now stabilised and is budgeted as part of the overall premises costs for the force.

In November 2014 the Employment Appeals Tribunal (EAT) heard a case relating to a company called Bear Scotland where it was ruled that overtime should be taken into account in the calculation of holiday pay. This ruling has consequences for all police bodies. Following detailed work by Legal and Human Resources professionals across the police service the PCC has determined that West Midlands Police will have a liability of up to £0.65m for underpaid holiday pay in 2014-15 and that prudently a provision will be made for this amount in the accounts.

The total value of provisions will be £2.05m in 2014-15. This is the same value as the previous year.

### 39. CONTINGENT LIABILITIES AND ASSETS

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 force received the judgement from the Employment Tribunal in relation to claims made for age discrimination relating to the A19 process in July. The judgement found in favour of police forces that the A19 process was not age discriminatory. The police federation representing the officers who brought this case to the tribunal now have an opportunity to appeal this judgement. Any future liability will depend on this appeal process; therefore no value can be put on any potential future liability at the Balance Sheet date.

The PCC has also recognised a contingent liability in relation to the commutation of police pensions. A commutation is the exchange of part, or all of an annual pension for a cash lump sum. The Pensions Ombudsman recently published his determination in relation to a fire-fighter who retired in 2005. The determination concerns historic commutation factors in the fire scheme and the responsibilities for maintaining and updating them. The determination found that the actuary had a statutory obligation to maintain and review

the commutation factors between 1999 and 2006, and should have done so proactively. In not doing so, this amounted to maladministration.

The ombudsman ordered that a new commutation factor should be prepared for this individual as if this had been carried out in December 2004. A payment was ordered to be made to the individual to reflect the recalculated commutation lump sum including interest on the back-dated payment.

The ombudsman expects Government to make arrangements for payments to be made to other individuals affected by this judgement reflecting the more beneficial terms that would have applied had commutation factors been reviewed and revised at the appropriate times. We believe over 1,000 retired police officers are affected. At the time of these accounts being published the PCC has not been able to accurately determine the value of the liability which exists to calculate, for each individual affected, any additional pension that should be paid. There are a number of deferred and deceased pensioners whose calculations cannot be completed locally and these must be completed by the Government Actuaries Department. This matter is accounted for as a contingent liability because at the time of publication, management is of the view that the value of any liability cannot be reliably measured in respect of West Midlands Police. In our judgement, the information does not exist to enable us to calculate a reasonable estimate of the liability, nor is it possible for this evidence to be reasonably obtained or calculated in order to arrive at a provision for West Midlands Police. We have disclosed a critical judgement in respect of this decision.

Since the value of the liability will ultimately be met by the Home Office through the receipt of additional top-up grant in 2016 the PCC also discloses a contingent asset for the full value of the pension liabilities that are expected to become payable.

As the Pensions Ombudsman published his determination in the case of Milne vs Government Actuaries Department on 15<sup>th</sup> May 2015 this matter is also discussed in note 5 – Events after the Balance Sheet date.

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 Mayor's 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.

#### 40. POLICE PROPERTY ACT FUND

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

	31 March 14 £'000	31 March 15 £'000
<b>Balance as at 1 April</b>	<b>34</b>	<b>245</b>
Income from confiscations and property auctions	422	208
Payments to charities	(211)	(175)
Payments to Neighbourhood Initiative Fund	0	0
Property Administration Expenditure	0	0
<b>Balance as at 31 March</b>	<b>245</b>	<b>277</b>

Notes 41 to 43 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 35 to 40.

#### **41. 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 2015 was £140,568. (£125,516 at 31 March 2014).

##### **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 2015 was £1,722 (£1,722 at 31 March 2014).

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

#### **42. LIVESCAN CHANGE FUND**

As senior responsible officer for the ACPO Forensics 21 Programme, the Chief Constable of West Midlands Police controls, on behalf of the NPJA, a bank account to pay for upgrades to the National Livescan Fingerprint Capture System. The balance on this account at 31 March 2015 was £2,112,707 (£2,111,862 on 31 March 2014).

#### **43. PROCEEDS OF CRIME ACT 2002 ACCOUNT**

In addition, there are three bank accounts for the holding of 3<sup>rd</sup> party funds seized as suspected proceeds of crime in accordance with the Act. At 31 March 2015 the balance on these accounts was £3,768,162, \$16,093 and €16,442. At 31 March 2014 the balance on these accounts was £3,530,040.86, \$2,093.43 and €7,142.39.

## NOTES TO THE CASH FLOW STATEMENT

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

	Year ended 31 March 14 £'000	Year ended 31 March 15 £'000
Surplus (Deficit) for the year	(263,751)	(254,354)
Increase / (decrease) in Provisions	0	0
Accumulated absences creditor adjustment	(434)	76
Other adjustments for non-cash movements	(94)	3
Capital Financing transaction	15,670	8,420
Change in Short Term Borrowing	(1,028)	(975)
Increase / (decrease) in Long Term Debtors	(1,940)	631
Increase / (decrease) in Long Term Creditors	0	0
(Increase) / Decrease in stocks	193	(43)
(Increase) / Decrease in debtors	(644)	1,061
Increase / (Decrease) in creditors	(2,921)	10,992
IAS 19 Adjustment	427,693	406,241
Pension Adjustment	(78,946)	(79,428)
Net (gain)/loss on disposal of fixed assets	1,420	133
Interest Payable and Similar Charges	3,034	3,011
Interest and Investment Income	(1,439)	(1,471)
Pensions Top Up Grant Receivable	(59,947)	(61,830)
Grant Deferred Amortisation	0	0
Impairment of Financial Instruments	(295)	0
<b>Net Inflow (Outflow) from Revenue Activities</b>	<b>36,571</b>	<b>32,466</b>

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

	Year ended 31 March 15 £'000
Decrease/ (Increase) in cash	(22,413)
Cash outflow from increase in liquid resources	(11,792)
Financing	(453)
<b>Change in net debt resulting from cashflows</b>	<b>(34,658)</b>
Net Debt as at 1 April 2014	143,452
Net Debt as at 31 March 2015	144,552

#### 46. MOVEMENT IN CASH AND CASH EQUIVALENTS

	Balance at 31 March 14 £'000	Movement in the Year £'000	Balance at 31 March 15 £'000
Cash held by the PCC	351	(41)	310
Bank Current Accounts	(2,817)	1,147	(1,670)
Short term deposits with financial institutions	42,530	21,307	63,837
	<b>40,064</b>	<b>22,413</b>	<b>62,477</b>

Cash equivalents are short term deposits and investments with less than 1 month to maturity.



## 47. JOINT OPERATIONS

### (a) CENTRAL MOTORWAY POLICE GROUP

The PCCWM is engaged in a joint 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 three 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 2014-15 are as follows:

2013-14 £'000s		2014-15 £'000s
	<b>Funding provided to the pooled budget</b>	
(4,016)	Contribution from West Midlands Police	(3,953)
(2,015)	Contribution from West Mercia Police	(1,971)
(1,897)	Contribution from Staffordshire Police	(1,858)
<b>(7,928)</b>	<b>Total funding provided to the pooled Budget</b>	<b>(7,782)</b>
	<b>Expenditure met from the pooled budget</b>	
7,193	Pay and allowances	7,140
62	Premises costs	58
593	Transport costs	466
212	Supplies and Services	216
0	SPP grant	0
<b>8,060</b>	<b>Total expenditure</b>	<b>7,880</b>
	<b>Income received to the Pooled budget</b>	
	Miscellaneous Income	(5)
(132)	External funding	(93)
<b>(132)</b>	<b>Total income received</b>	<b>(98)</b>
<b>7,928</b>	<b>Total Net Expenditure</b>	<b>7,782</b>
0	Net surplus/(deficit) arising during the year	0
0	West Midlands Police share of 50.7% of the net surplus/(deficit) arising during the year	0

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

## (b) WEST MIDLANDS REGIONAL ORGANISED CRIME UNIT

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

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

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

2013/14 £'000s		2014/15 £000's
	<b>Funding provided to WMROCU</b>	
(928)	Contribution from West Midlands Police	(1,491)
(345)	Contribution from West Mercia Police	(554)
(201)	Contribution from Staffordshire Police	(323)
(145)	Contribution from Warwickshire Police	(232)
(1,619)	WMROCU Grant	(2,000)
(106)	National Cyber Security Programme funding	(233)
(961)	Regional Asset Recovery Team grant	(1,004)
0	Additional Home Office funding (2014/15 only)	(630)
<b>(4,305)</b>	<b>Total funding</b>	<b>(6,467)</b>
	<b>WMROCU expenditure</b>	
961	Regional Asset Recovery Team (RART)	1,004
0	RART – ACE team	149
120	Regional Cyber Crime Unit	734
108	Regional Fraud Team	335
936	Regional Intelligence Unit	969
1,024	Regional Prisons Intelligence Unit	1,005
495	UKPPS (protected Persons)	1,367
542	Project Management	236
0	Project Management (Phase 2)	382
0	Operational Security	29
0	Regional Government Agency Intelligence Network	37
117	Command Team	187
1	Europol Secondment	34
<b>4,304</b>	<b>Total expenditure</b>	<b>6,467</b>
<b>0</b>	<b>Total Net Expenditure</b>	<b>0</b>

## 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.

2013-14 £'000	Police Pension Fund Account	2014-15 £'000	£'000
	<b>Fund Account</b>		
	Contributions receivable:		
	From employer:		
(61,199)	Normal	(59,130)	
(3,297)	Early retirements	(2,288)	
(0)	30+ contributions	0	
(64,496)		(61,418)	
(33,279)	From members	(33,885)	
(33,279)		(33,885)	
(436)	Transfers in	(360)	
(436)		(360)	
<b>(98,211)</b>	<b>Total income into the Pension Fund</b>		<b>(95,663)</b>
	Benefits payable:		
126,188	Pensions	131,964	
30,252	Lump sums	22,676	
160	Lump sum death benefits	343	
0	30+ benefits payable	0	
205	Benefits payable to other regional forces re earlier reorganisations	173	
156,805		155,157	
	Payments to and on account of leavers:		
3	Refunds of contributions	0	
1,349	Individual transfers out to other schemes	2,336	
1	Other	0	
1,353		2,336	
<b>158,158</b>	<b>Total payments from the pension fund</b>		<b>157,493</b>
<b>59,947</b>	<b>Net amount payable for the year</b>		<b>61,830</b>
(59,947)	Additional contribution received from the Police and Crime Commissioner		(61,830)
<b>0</b>			<b>0</b>

## Net Assets Statement

Net current assets and liabilities	2013-14	2014-15
	£'000	£'000
Current assets	0	0
Current liabilities	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 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 2014-15 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2015 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 defined benefit scheme. This means that there are no assets to the scheme and that all benefits payable are funded by contributions from employers and employees. Any difference that arises in the year between the benefits payable and the contributions received is met by a top up grant received from the Home Office.
5. Employee and employer contributions into the scheme are based on percentages of pensionable pay set nationally by the Home Office and subject to a triennial revaluation by the Government Actuaries Department. During 2014-15 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 2006 new police pension scheme

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

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

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

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

## APPENDIX 1: RESTATEMENT OF 2013-14 COMPARATIVES

### (a) Balance Sheet extract

	As at 31 March 2014 per 2013/14 Statement of Accounts	As at 31 March 2014 per 2013/14 Statement of Accounts	Amount of liability attributable to the PCC	As at 31 March 2014 Restated	As at 31 March 2014 Restated
	£000	£000	£000	£000	£000
	Chief Constable	PCC	PCC	Chief Constable	PCC
<b>Long term liabilities:</b>					
Liability relating to defined benefit pension scheme	(5,964,031)	0	(1,463)	(5,962,568)	(1,463)
<b>Reserves:</b>					
Pensions Reserve	5,964,031	0	1,463	5,962,568	1,463
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### (b) Comprehensive Income and Expenditure Statement extract

	As per 2013/14 Statement of Accounts	As per 2013/14 Statement of Accounts	Effect of PCC accounting for its element if IAS 19 costs	Restated 2013- 14 Statement of Accounts	Restated 2013- 14 Statement of Accounts
	£000	£000	£000	£000	£000
	Chief Constable	PCC	PCC	Chief Constable	PCC
<b>Above net costs of services:</b>					
Current Service costs	(18,023)	0	(170)	(17,853)	(170)
Past Service costs	(1)	0	0	(1)	0
Curtailments	(717)	0	0	(717)	0
<b>Total impact on Cost of Services</b>	<b>(18,741)</b>	<b>0</b>	<b>(170)</b>	<b>(18,571)</b>	<b>(170)</b>
<b>Financing and Investment Income and Expenditure</b>					
Pension net interest cost	(8,169)	0	(76)	(8,093)	(76)
Administration expenses	(252)	0	(2)	(250)	(2)
<b>Total impact on Financing and Investment Income</b>	<b>(8,421)</b>	<b>0</b>	<b>(78)</b>	<b>(8,343)</b>	<b>(78)</b>
<b>Other Comprehensive Income and Expenditure</b>					
IAS 19 remeasurements	49,429	0	460	48,969	460
<b>Total impact on Other Comprehensive Income and Expenditure</b>	<b>49,429</b>	<b>0</b>	<b>460</b>	<b>48,969</b>	<b>460</b>
<b>Net increase (decrease) before transfer to Earmarked Reserves</b>	<b>22,267</b>	<b>0</b>	<b>212</b>	<b>22,055</b>	<b>212</b>

## 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.

**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.

**IAS 19 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

**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.

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

**RESERVES** – Monies set aside by the 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.

**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