

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

**2016-17**

# STATEMENT OF ACCOUNTS 2016-17

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## **NARRATIVE REPORT**

### **About The West Midlands, the Police and Crime Commissioner and West Midlands Police**

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

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

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

The West Midlands is the second most diverse population in the UK with a higher than average percentage of minority ethnic groups including Pakistani at 4.1%, Indian at 3.9% and Caribbean at 1.5%. It also had a lower than average White ethnic group at 82.7% and White British at 79.2%. Approximately 12% of the region's population were born outside the UK. Average earnings, the employment rate and house prices for the region are lower than the national average.

There are seven local authorities within the area, Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton, each with a Crime and Disorder Reduction Partnership/Community Safety Partnership. The area is also served by three Local Enterprise Partnerships (LEPs), Staffordshire and West Midlands Probation Trust and a number of NHS structures, adding complexity to the partnership landscape.

West Midlands Police is one of the best performing metropolitan police forces in the country. Significant and sustained reductions across volume crime have been achieved. At the same time, through headquarter departments and formal collaborative arrangements with other forces and law enforcement agencies, resources and expertise have been focused on a range of inter- and cross-force activities.

Local policing is delivered through eight neighbourhood policing units (NPU's). Due to its size Birmingham has two NPU's, whilst the other six NPU's are coterminous with local authority boundaries. Each NPU is headed by a Chief Superintendent and the local NPU work is supported by a number of specialist central and support departments.

West Midlands Police has a reputation for continuous improvement, innovation and empowering leadership with a talent to continuously evolve and meet changing needs. The Force aims to deliver

policing that is accessible and responds to the needs of local people. Neighbourhood policing provides a named team of local officers who can influence the policing priorities within their neighbourhood. They work with colleagues and partner agencies to address the concerns of their communities.

## **Roles of the West Midlands Police and Crime Commissioner and West Midlands Chief Constable**

### **Role of Police and Crime Commissioner**

There are 39 police and crime commissioners in England and Wales covering the 41 forces outside of London. The governance of the Metropolitan Police Service is a duty of the Mayor of London and the City of London Corporation governs the City of London Police. In Greater Manchester the recently elected Mayor combines the mayor role with that of Police and Crime Commissioner. Together with the Home Secretary and chief police officers, the Commissioner and Chief Constable are responsible for the management of policing in England and Wales.

The West Midlands Police and Crime Commissioner is the local governing body for policing in the West Midlands. The Commissioner has an over-arching duty to secure an effective and efficient police force. The Commissioner has a number of statutory roles, which include:

- representing all those who live and work in the communities in their force area and identifying their policing needs
- setting priorities that meet those needs by agreeing a police and crime plan
- holding the Chief Constable to account for achieving the Commissioner's priorities as efficiently and effectively as possible
- setting the force budget and setting the precept
- hiring and, if necessary, dismissing the Chief Constable

To fulfill these roles, the Commissioner has a range of powers and responsibilities. The Commissioner:

- must produce a Police and Crime Plan
- must set the policing "precept", which is the part of local council tax that goes to policing
- appoints and, if necessary, dismisses the Chief Constable
- makes Crime and Disorder Reduction Grants
- has oversight of how complaints against the police are managed
- must keep under review opportunities for collaboration

- has duties relating to national criminal threats, safeguarding of children, and consulting the public
- has a role in ensuring the effectiveness of the wider criminal justice system

The Commissioner is supported in his work by an executive team headed by the Chief Executive and Monitoring Officer. The team also has the Commissioner's Chief Finance Officer, a Legal Adviser, together with a Policy and Commissioning team, Business Services and an Internal Audit team.

The Commissioner is supported and scrutinised by a separate Police and Crime Panel. The Panel is made up of twelve councillors from across the West Midlands and two independent members. Information on the work of the Panel can be found at <http://westmidlandspcp.co.uk/>. The Panel is set up under the provisions of the Police Reform and Social Responsibility Act 2011.

Further information on the work of the Commissioner and the statutory framework in which the Commissioner works can be found on the Commissioner's website [www.westmidlands-pcc.gov.uk](http://www.westmidlands-pcc.gov.uk)

## **Role of Chief Constable**

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

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

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

The Chief Constable has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE 2016 updated framework: *Delivering Good Governance in Local Government*, a copy is on our website at [www.west-midlands.police.uk](http://www.west-midlands.police.uk) or can be obtained by contacting us, details at [www.west-midlands.police.uk/contact-us/index.aspx](http://www.west-midlands.police.uk/contact-us/index.aspx) This statement explains how the Chief Constable has complied with the code and also meets the requirements of Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

The Chief Constable of the West Midlands is supported by a Deputy Chief Constable, four Assistant Chief Constables, a Director of Commercial Services and a Director of People and Organisational Development.

Information on West Midlands Police can be found at [www.west-midlands.police.uk](http://www.west-midlands.police.uk)

## The Statement of Accounts

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. A separate set of statutory accounts have been published for the Chief Constable to recognise all the financial transactions incurred during 2016/17 for policing the West Midlands area.

The Statement of Accounts for the PCCWM group consists of:

### 1. Police and Crime Commissioners Approval

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 key financial statements

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

## 6. Additional notes and disclosures

Notes are included following the key financial statements detailing the accounting policies applied and disclosures relating to the statements. Significant notes include:

- **Expenditure and Funding Analysis** - The objective of the Expenditure and Funding Analysis is to demonstrate to Council tax payers how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed or earned

by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Group's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

- **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 21.3% 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 2016-17

The overall revenue outturn position for the Group is an underspend of £11.6m against the budget of £545.4m. This represents 2.1% of the total budget. This is broadly in line with outturn forecasts made during the financial year.

The revenue outturn position for the Police Force is an underspend at the end of the financial year of £2.8m or just 0.6% of the Force level budget. This occurred largely as a result of a number of one-off in year savings the majority of which are related to projects within the WMP 2020 change programme.

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

The following paragraphs detail the Group's expenditure in 2016-17 and how this differed from the budget.

### **Pay related expenditure**

In total, pay related expenditure was overspent by £1.4m against the budget with Police and PCSO pay underspending by £1.2m and staff pay budgets being overspent by £0.3m. Other employee expenses overspent by £2.3m as a result of in year redundancy costs.

### **Premises related expenditure**

Within premises related expenditure the underspend reflects savings from rates rebates, utility costs and property rentals.

### **Transport related expenditure**

Within transport related expenditure has also been reported throughout the year and comprises of savings on vehicle fuel as a result of the greater efficiency of vehicles, a reduction in miles travelled and the lower price of fuel in the first half of the year. There are also a savings on vehicle tyres due to improved driver behaviour and a reduction in the number of miles being travelled by the fleet.

### **Supplies and Services related expenditure**

Expenditure on supplies and services was £0.6m over budget. This was due to statutory vehicle fee income and expenditure which has exceeded the budgets in year – this was £0.9m of expenditure

over budget but is offset by the same over achievement of income. There were also some overspends within IT&D due to increased telephony costs and software and hardware purchases.

### **Agency expenditure**

The £0.4m overspend on Agency expenses reflects additional costs for Home Office ICT charges, unbudgeted staff costs in Motorway Policing and the Violence Protection Alliance and the West Midlands Regional Organised Crime Unit

### **Capital Financing**

The £0.2m overspend in capital financing is due to lower than budgeted interest receivable due to challenging conditions in the investment markets and reduced income from the loan charges grant.

### **External Income**

The over achievement of External Income achieved has resulted from a number of sources including Prosecution Costs, temporary housing of immigration prisoners, the reclassification of football matches, sale of vehicles and speed awareness. Some of these items were one-off and not expected to continue into 2017/18.

### **West Midlands Police and Crime Commissioner**

The Police and Crime Commissioner's office was underspent by £1.4m. The majority of the underspend (£1.3m) was associated with grant funded projects such as active citizens and other initiatives. In addition the cost of running the PCC's office was underspend by £0.1m.

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

<b>Actual 2015-16 £m</b>	<b>Revenue Expenditure</b>	<b>Budget 2016-17 £m</b>	<b>Actual 2016-17 £m</b>	<b>Variation + (-) £m</b>
464.6	Employee costs	470.0	471.4	1.4
16.1	Premises costs	16.9	16.2	(0.7)
6.6	Transport costs	8.0	6.4	(1.6)
38.0	Supplies and Services	42.5	43.1	0.6
6.0	Agency costs	5.5	5.9	0.4
3.2	Capital Financing	3.2	3.4	0.2
(28.5)	Income	(31.4)	(35.4)	(4.0)
<b>506.0</b>	<b>Police Force (Excl. WMP2020 project costs)</b>	<b>514.7</b>	<b>511.0</b>	<b>(3.7)</b>
10.8	WMP2020 project costs	22.3	15.8	(6.5)
<b>516.8</b>	<b>Police Force (Incl. WMP2020 project costs)</b>	<b>537.0</b>	<b>526.8</b>	<b>(10.2)</b>
	<b>Police and Crime Commissioner</b>			
2.3	Office for Police and Crime Commissioner	1.9	1.8	(0.1)
7.4	Commissioned Services	6.5	5.2	(1.3)
9.7	<b>Police and Crime Commissioner</b>	<b>8.4</b>	<b>7.0</b>	<b>(1.4)</b>
<b>526.6</b>	<b>Net Cost Police Services</b>	<b>545.4</b>	<b>533.8</b>	<b>(11.6)</b>
7.3	Carry Forward Contribution to Projects	0.0	5.1	5.1
1.4	Carry Forward Contribution to PCC	0.0	1.4	1.4
0.0	Contribution to Uniform & Equipment Reserve	0.0	0.7	0.7
0.0	Contribution to ROCU Reserve	0.0	0.6	0.6
<b>535.3</b>	<b>Police Services after Carry Forward</b>	<b>545.4</b>	<b>541.6</b>	<b>(3.8)</b>
(11.7)	Net Contribution to (from) Reserves	(18.1)	(14.3)	3.8
<b>523.6</b>	<b>Net Budget Requirement</b>	<b>527.2</b>	<b>527.2</b>	<b>0.0</b>
	Statutory Accounting Adjustments:			
208.9	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance		188.0	
<b>732.5</b>	<b>Net Operating Expenditure (CIES)</b>		<b>715.2</b>	

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

	2016-17 Original Budget £m	2016-17 Outturn £m	Difference £m
Net Cost of Services	545.4	533.8	(11.6)
Contribution from Budget Reserves	(18.1)	(14.3)	3.8
Earmarked carry forwards	0	7.8	7.8
<b>Net Budget Requirement</b>	<b>527.2</b>	<b>527.2</b>	<b>0</b>

The table below shows how the Net Budget Requirement of £527.2m is funded from Government Grants and Council Tax.

	2016-17 Outturn £m
Council Tax Payer	(77.1)
Police Revenue Grant	(250.8)
Council Tax Support Funding	(19.0)
DCLG Grant	(180.3)
<b>Net Budget Requirement</b>	<b>(527.2)</b>

### How we have performed in 2016-17

The table below shows some key crime statistics for West Midlands Police for the year ended 31 March 2017 compared to the same time in the previous year.

	2015-16	2016-17	% change
Total recorded Crime	185,396	206,180	+11.2
Business Crime	38,103	42,836	+12.4
Burglary	11,960	14,322	+19.7
Robbery	4,911	5,891	+20.0

In relation to the above statistics changes in the volume of recorded crime can be difficult to interpret as they reflect both changes in recording processes and practices and real changes in crime. However, the Office for National Statistics concluded in their latest Crime in England and Wales release that there appears to be genuine increases in some of the lower volume but higher harm categories of police recorded violence, including homicide and knife crime. As well as increases in some offences where recording practices are less likely to have been a driving factor. For example, burglary and robbery.

Whilst total recorded crime is higher in 2016-17 than in the previous year, West Midlands Police maintains a lower total recorded crime rate per 1,000 population compared to its most similar forces.

## Performance rated by PEEL assessment

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

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

The force works well with partners to manage the most harmful offenders and staff are clearly committed to protecting vulnerable people.

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

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

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

## EARMARKED AND GENERAL RESERVES

Earmarked Reserves amount to £94m, and the General Reserve has been maintained at £12m to adequately cover the risk of major incidents.

The revised budget planned for the use of £18.1m from the Budget Reserve. Due to some of the in-year savings made against the budget this contribution has reduced to £14.3m. This means that the reserves are still available to utilise across the remaining change programme.

The self-funded insurance reserve has a balance of £10.3m. 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.

Reserves analysed in greater detail:

	General Fund Balance £m	Earmarked Reserves £m
Opening Balance 1 April 2016	12.0	116.0
Movement in year	0	(22.0)
Closing Balance 31 March 2017	12.0	94.0

Some of the earmarked reserves such as the capital reserve and the budget reserve will be used over the next 3 years to support the transformational change programme. The budget reserve contains £13.6m to support the transformational change projects – some of which are detailed at the end of this report.

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

Overall capital expenditure for the year was planned to total £38.4m in the capital programme. Expenditure on improvements to existing police buildings includes work to upgrade the police headquarters in central Birmingham and improvements to Bloxwich Police Station which both completed this year with final spends of £7.7m against a budget of £11m. The PCC/Group has £21.1m of Capital Reserves in Unapplied Capital Grants, Unapplied Capital Receipts and Earmarked Capital Reserves to meet future capital expenditure plans and other financial commitments.

The PCC/Group has taken ownership of £2.7m of new vehicles per a vehicle replacement programme where new vehicles have been specified to reduce on-going maintenance costs and improve fuel efficiency.

Capital expenditure on Force ICT was budgeted as £20.3m of which £18.5m was budgeted for transformation projects. Actual expenditure was £7.8m as some of the projects have not reached full implementation phase in 2016-17.

The capital programme for 2016-17 is summarised in the table below

2015-16 Outturn £'000		2016-17 Programme £'000	2016-17 Outturn £'000
Property Plant and Equipment comprising:			
11,843	New Police Buildings	591	152
20,443	Improvements and Adaptations	9,982	6,097
4,406	Vehicles	3,898	3,812
3,427	IT including. Intangible software	22,304	11,006
392	Other	1,670	1,738
<b>40,511</b>	<b>TOTAL</b>	<b>38,445</b>	<b>22,805</b>
<b>FINANCING OF EXPENDITURE</b>			
9,878	Capital Grants	5,984	6,281
9,048	Capital Receipts	11,486	2,083
21,424	Capital Reserves	20,975	14,250
161	Direct Revenue Financing	0	191
<b>40,511</b>	<b>TOTAL</b>	<b>38,445</b>	<b>22,805</b>

## PROVISIONS AND CONTINGENT LIABILITIES

A new provision was recognised in 2015-16 for a portion of the costs of the core team provided by the Force's innovation partner – Accenture. The value of this provision will be £0.14m in 2016-17. (£0.19m in 2015-16). This is part of the contractual arrangement between the PCC and Accenture in relation to the provision of services to the PCC. This is recognised in the Group Balance Sheet.

The Chief Constable of West Midlands Police, along with other Chief Constables and the Home Office, currently has 484 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016-17 Accounting Statements.

The Hillsborough inquiry is ongoing and our understanding is that this has been stayed until late 2017. This is one of a number of historical inquiries that are at various stages which potentially could have a financial impact on West Midlands Police.

## 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 £245m into net liabilities of £7,195m.

The table below shows the estimated value of the Group's pension commitments should they be called now:

	2015-16 £'000	2016-17 £'000
Police Officers	5,742,807	7,105,820
Police Staff	225,278	331,058
PCC staff	2,138	2,057
<b>Total</b>	<b>5,970,223</b>	<b>7,438,935</b>

The actuarial losses on pension funds in 2016-17 totalled £1,407.4m and compared to actuarial gains of £1,151.1m in 2015-16. This has resulted in an increase in the overall pension's liability. The actuarial losses in 2016-17 are due to a significant decrease in the discount rate at which pensions are paid from 3.55% to 2.65% (for police pensions) and from 3.80% to 2.80% (for police staff pensions) and an increase in short term salary increases from 4.20% to 4.35% per year (for police pensions) and from 3.95% to 4.20% (for police staff pensions) – which increases the liability for active members of the scheme. When compounded over the duration of a typical pension payment the effect of these changes is substantial. It should be noted however that actuarial gains and losses do change each year as can be seen from the defined benefit pension scheme notes starting on page 66 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. In practice, the PCC receives back contributions at a rate of 21.3% from the Government and the PCC is required to fund the remaining 2.9% difference. 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 £7.448bn 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**

An Accounting policy defining total absorption costing of overheads and support services within the Service Reporting Code of Practice has been removed from the Policies as the Comprehensive Income and Expenditure Statement is no longer presented in this format.

## **BORROWING**

The PCCWM's borrowing totals £55.8m (£56.4m in 2015-16). 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 34.

## **CASH FLOWS**

The group's cash flows in 2016-17 showed that cash from operating activities produced a net deficit of £11.8m but this was offset by a surplus in investing and financing activities of £9.5m resulting in a net decrease in cash and cash equivalents of £2.3m. (£8.7m decrease in cash and cash equivalents in 2015-16). This is shown in the Cash Flow statement on page 36. Cash flows have been forecast for 2017-18 supported by information from a variety of sources and the cash position for the Group remains strong.

## **FUTURE OUTLOOK**

Since 2010 the West Midlands faced a challenge of managing one of the largest reductions in Government funding for any Police area in the country and maintaining and improving the services needed by local people and businesses. The PCC and the Chief Constable are continuing on an ambitious and leading edge Transformation programme, in partnership with Accenture, which is planned to improve services within much reduced resource levels. The Comprehensive Spending Review in 2015 has resulted in police funding reliant on council tax precept increases of £5 per annum on average to allow police funding to remain at 2015-16 levels. Increasing cost pressures still require the PCC and the Chief Constable to continue to achieve significant efficiencies to operate within the resources available.

By 2020, the Transformation programme aims to deliver:

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

The force is currently working on 5 main workstreams and a series of standalone projects that will help shape the foundations for the future ensuring the force has the in house capabilities to turn it into a more digitally able and mobile force by 2020. Two examples of the programmes that aim to engage more with the public and want to revolutionise online channels to help the public are the active citizens project and the mobility project.

Active Citizens:

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

Part of this work includes:

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

Digital Revolution:

The Force needs to modernise how it engages with the public to match their expectations. Communities are becoming more diverse and more likely to want to contact us digitally so we must transform the way we listen and involve the public in policing.

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

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

## **FUTURE FUNDING LEVELS**

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

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

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

## **EVENTS AFTER THE REPORTING PERIOD**

There have been no events between the Balance Sheet date and the signing of the accounts which require a Post Balance sheet disclosure.

# **Police and Crime Commissioner West Midlands**

## **Annual Governance Statement**

Position as at 31<sup>st</sup> March 2017 including plans for the financial year 2017/18.

### **1. Scope of Responsibilities**

The Commissioner is responsible for ensuring his business is conducted in accordance with the law and proper standards, and 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 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 2016 updated framework: *Delivering Good Governance in Local Government*, a copy of which is on the Commissioner's website at [www.westmidlands-pcc.gov.uk](http://www.westmidlands-pcc.gov.uk) or can be obtained by contacting the Commissioner's office, details at [www.westmidlands-pcc.gov.uk/contact](http://www.westmidlands-pcc.gov.uk/contact). This statement explains how the Commissioner has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

### **2. The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values by which the 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 the 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.

The following paragraphs summarise the core principles of the Police and Crime Commissioner's Governance Framework and reflect the arrangement in place to meet the six core principles of effective governance, which are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

### 3. The Governance Framework

Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Commissioner is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. The relationship between the Commissioner, the Chief Constable, the Police and Crime Panel and the Home Secretary is guided by the [Policing Protocol Order 2011](#).

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 comprise the Commissioner's current governance arrangements, the key elements of which are detailed below:

- The West Midlands Police and Crime Plan 2016 – 2020 sets out the Commissioner's objectives for policing and community safety, the policing to be provided, the financial and other resources that will be available, how performance will be measured, what grants will be made and how the Chief Constable will be held to account.
- Translating the Commissioner's objectives into delivery plans.
- The operation of the Strategic Policing and Crime Board that provides effective engagement, strategic direction and assists the Commissioner in holding to account West Midlands Police.
- The Commissioner working with the Chief Constable to ensure there are processes and systems in place to deliver the Police and Crime Plan. This allows the Commissioner to be satisfied the Chief Constable has regard to the Police and Crime Plan through the operational plans of the Force, including the Force's Ambition Plan.
- Measuring the quality of services, 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.
- Ensuring effective arrangements are in place for the discharge of the head of paid service and monitoring officer functions.
- 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 (2014).
- Ensuring compliance with the Commissioner statutory responsibilities, including:-
  - Setting the budget and precept
  - Issuing a Police and Crime Plan
  - Publication of an Annual Report
  - Publication of specified information
  - Duties to consult with victims of crime, the population as a whole and ratepayers
  - Safeguarding of children and promotion of child welfare
  - Having regard to the Strategic Policing Requirement
  - Duties relating to equality and diversity

- Procedure rules, policies and internal management processes are established for Financial Management, Procurement, Health and Safety, [Confidential Reporting](#) (“Whistleblowing”), [Complaints Handling](#), [Anti-Fraud, Bribery and Corruption](#) and [Records Management](#), including security of information and information sharing.
- Codes of conduct, defining the standards of behaviour for the Commissioner, Assistant Police and Crime Commissioners, Members of the Strategic Policing and Crime Board, Statutory Officers and Staff.
- The Joint Scheme of Corporate Governance sets out in detail the respective roles and functions of the Commissioner and Chief Constable, outlining all significant decisions which are consented or delegated and which are of a statutory, financial or management nature.
- A [Decision Making Policy](#) is in place which establishes the approach and principles of decision-making. All decisions made by the Commissioner are recorded and published on line for transparency.
- A [Joint Audit Committee](#) (with the Chief Constable) is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment, the independent scrutiny of the Chief Constable’s and PCC ‘s financial performance to the extent that it affects the Chief Constable and PCC’s exposure to risk and weakens the control environment. The Joint Audit Committee has an independent Chair, as identified by the Home Office’s Code of Practice for Financial Management and CIPFA’s Audit Committee – Practical Guidance for Local Authorities. An independent member has also been appointed to the Joint Audit Committee.
- The PCC has a Corporate Risk Strategy and Register, prepared and reviewed by senior management. The Joint Audit Committee is responsible for independent assurance on the adequacy of the risk management framework.
- Procedural rules, policies and internal management procedures are established for financial management.
- Oversight of the management of change and transformation within the Force.
- 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.
- An External Audit function reports to “those charged with governance” in respect of the Annual Accounts.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Identifying the development needs of 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.
- Developing good governance arrangements in respect of partnership and other joint working arrangements.
- The Commissioner provides information to External Audit to enable them to provide assurance.
- The Commissioner also ensures External Audits recommendations are implemented.

#### 4. Review of Effectiveness

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

The review of effectiveness is informed by the work of the executive managers within the Commissioner’s Office, who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager’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 Internal Audit Manager 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's and Chief Constable's Joint Audit Committee is 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](#), 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, assessments of its abilities in line with best practice are undertaken confirming that the Committee is well suited and equipped for such responsibilities. Members of the Committee will undergo regular training to ensure the Committee is effective in its role in advising the Commissioner and the Chief Constable.

#### • **Internal Audit**

The system of Internal Audit is a primary tenet of corporate governance and is the joint responsibility of the Commissioner. The provision and maintenance of an effective Joint Internal Audit Service, has been delegated to the Chief Finance Officer (CFO). The Audit Committee oversees the provision of this service, reviewing associated plans and work outputs.

The standards of Internal Audit are assessed against the Public Sector Internal Audit Standards (PSIAS) and the results of this have been presented to the Joint Audit Committee in 2016/17. An external assessment of Internal Audit against the PSIAS standards will be undertaken in 2017/18.

During 2016/17 Internal Audit have had an increased focus on the major risks faced by the PCC and the Force. This revised approach will allow the Commissioner to have increased confidence in governance, risk management and control processes.

#### • **Police and Crime Panel**

The West Midlands Police and Crime Panel (WMPCP) scrutinises the work of the Commissioner. The Panel acts as a critical friend to the Commissioner - assisting him through independent challenge.

The Panel has a number of powers and responsibilities, including:

- Reviewing the draft Police and Crime Plan to ensure local priorities have been considered
- Scrutinising the Commissioner's Annual Report
- Scrutinising the decisions and actions of the Commissioner
- Reviewing, and potentially vetoing, the Commissioner's proposed policing precept (the part of Council Tax collected for policing)
- Holding confirmation hearings for the proposed appointment of a Chief Constable, Deputy Police and Crime Commissioner and senior support staff

The Commissioner is compliant with all requests from the Panel including information and attendance at meetings. The Panel has also supported the Commissioner's precept proposals and the appointment of the Chief Constable and statutory officers in the Commissioner's office.

## **5. Collaborative Working**

The Commissioner has in place a number of collaborative arrangements to deliver services in conjunction with both national and neighbouring Police and Crime Commissioners. These include:-

- A collaboration agreement in place for the counter-terrorism policing network.
- The Commissioner is the chair of the National Counter Terrorism Strategic Board, which supports the governance of counter-terrorism policing nationally.
- The National Ballistics Intelligence Service (NABIS) where the West Midlands Police is the co-host force. The arrangement also being subject to a collaboration agreement and the Commissioner is represented on the NABIS governing board.
- The West Midlands Regional Organised Crime Unit is the subject of a four-force collaboration agreement (Staffordshire, Warwickshire, West Mercia and West Midlands).

For the arrangements detailed above governance is conducted in compliance with the relevant collaboration agreements. Also collaborative working is supported by the appointment of two Regional Policy Officers working with the four West Midlands regional forces.

There is also a three-force Central Motorway Policing Group arrangement in place between Staffordshire, West Mercia and West Midlands.

The Commissioner is also a signatory to the National Police Air Service collaboration agreement and is working with regional PCCs to develop appropriate and proportionate oversight.

## **6. Significant Governance Issues**

The development and embedding of governance arrangements and the working relationships between Commissioner and the Chief Constable continue to be a priority. A Scheme of Governance setting out the respective responsibilities and working arrangements between the Commissioner and Chief Constable is in operation. Work will continue during 2017/18 to ensure the governance arrangements are fit for purpose and meet the nature of the organisation. This will include working with the Chief Constable as his revised governance framework is implemented.

The Strategic Policing and Crime Board, Community Safety Partnerships and the Police and Crime Panel have supported the Commissioner in discharging his governance responsibilities.

The Commissioner is sighted on any significant issues arising from the work of Internal Audit and will, where necessary, question the Chief Constable on any actions being taken to address the issues raised.

The Commissioner continues to ensure his office provides governance arrangements fit for purpose. Where new priorities are identified to deliver the Police and Crime Plan by the Commissioner resources are aligned to meet the priority.

The Commissioner and the Chief Constable recognise the challenges both organisations face in relation to IT systems. As with other organisations the PCC's office and West Midlands Police are potentially exposed to cyber-attacks, similar to those attacks that have been witnessed recently with other large organisations. It is therefore important IT systems are secure and regular testing takes place to ensure systems are safe from unauthorised access and potential cyber-attacks.

The investment in WMP2020 programme will improve IT security through the introduction of new IT systems. This includes the introduction of the new Operational Policing Solution and other systems. In addition, improvements are being introduced to strengthen the policies and procedures in relation to accessing computer systems.

An Innovation and Improvement Partner (IIP) that was appointed in 2014 works with the Chief Constable and the Commissioner to design and deliver a change programme, known as WMP2020, to address the service delivery and financial challenges over the medium term to long term. A Target Operating Model (TOM) has been developed and is amended when required to ensure it reflects how the police force will operate. 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. To manage the WMP2020 programme governance arrangements have been put in place to make sure the Commissioner has effective oversight of the project. These arrangements include:-

- Members of the Commissioner's office and the Strategic Policing and Crime Board participating in the following boards:-
  - Organisational Change Board
  - Design Authority
  - Performance Operation and Review Forum

This ensures the Commissioner is well sighted on the delivery of WMP2020 and ensures the programme is in line the priorities of the Police and Crime Plan.

- Members of the Commissioner's office and the Strategic Policing and Crime Board are embedded in schemes at programme and project levels.

The continued significant changes to ICT infrastructure, organisational structure and procedures and the Corporate Estate, requires continued robust programme management.

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 other changes the Commissioner continues to be responsible for the direct and indirect commissioning of services.

These changes will continue to require firm leadership, careful management, innovation and robust scrutiny. The Commissioner and his office 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.

## **7. Delivering the Police and Crime Plan 2016-2020 – Action Plan**

During 2017/18 work will continue to deliver the Police and Crime Plan 2016-2020. The detailed delivery plan to support the Police and Crime Plan is monitored by senior managers within the Commissioner's office on a regular basis. The delivery of the Police and Crime Plan assists the Commissioner to secure and maintain

efficient and effective policing services across the West Midlands. The Commissioner will also work with West Midlands Police in the delivery of the Force's ambition plan.

The Commissioner's delivery plan is aligned to the risk register and acts as an action plan for the achievement of the Commissioner's priorities. The latest version of the Commissioner's risk register was included on the agenda at the Joint Audit Committee in March 2017 and is available from:

<http://www.westmidlands-pcc.gov.uk/media/451021/07A-PCC-risk-register-March-2017.pdf>

Drawing on the Commissioner's risk register and the delivery plan referred to above the table overleaf details a summary of the key actions with target dates of delivery. Given the role of the Commissioner in holding the Chief Constable to account many of these actions are ongoing.

<b>Police and Crime Commissioner – Action Plan (Key Targets)</b>		
<b>Police and Crime Plan 2016 – 2020, Key Theme</b>	<b>Activity</b>	<b>Target Date</b>
Protecting People from Harm	Reducing crime & harm – performance reports to Strategic Policing and Crime Board (SPCB)	Ongoing
	Reduce reoffending and supporting offenders away from criminality	Ongoing
	Production of a substance misuse plan & holding partners to account in the delivery of the plan	July 2017 and ongoing
	Ensuring there is a safe and secure road network through holding to account	Ongoing
	Support the West Midlands Violence Prevention Alliance	Monitoring of project action plan throughout 2017/18
Supporting Victims of Crime	Operation of the Victims Commission and updating the Victims Strategy	September 2017 and ongoing
Building Trust and Confidence in Policing	Confidence in policing increases – performance reports to board	Ongoing
	Oversight of the use of force & body worn video – report to SPCB	April 2018
	Ensure the Force continues to operate high standards of recording crimes accurately – Reports to Board	Ongoing
	Ensure the Force deals with complaints within the specified time period – Reports to board and holding to account	Ongoing
	Public satisfaction with services increases – reports to board on Force contact performance, new website etc.	Ongoing
	Operating effective accountability through the operation of the SPCB, HMIC recommendation tracker, Joint Audit Committee's workplan and the governance of WMP2020	Ongoing
	Ensure there is reduction in the fear of crime – performance reports	Ongoing
Strengthening Communities and Growing the Economy	Working with partners to prevent people with mental health illnesses being drawn into crime	Reports to board July 2017 and ongoing
	Develop and delivery of an economic strategy	April 2017 and ongoing
	Develop collaboration across the criminal justice system to improve performance	Sept 2017 and ongoing
	Working with the elected mayor and the combined authority to reduce crime	Ongoing
Building a Modern Police Service	Recruitment of additional police officers & staff. Work with force to ensure recruits are representative of the West Midlands	Ongoing
Standing up for Young People	Support youth employment initiatives including apprenticeship programmes	Ongoing
	Support the introduction of a cadet scheme	Sept 2017 and ongoing
	Develop a young people's strategy and engage with young people across the region	Ongoing
Playing our Part in National Threats	Work with the Force to ensure the strategic policing requirement is comprehensive to threats	Ongoing
	Production and delivery of a cybercrime and digital strategy	April 2018 and ongoing

## 8. Issues Raised in Previous Year's Annual Governance Statements

The Commissioner's Annual Governance Statement of the 31<sup>st</sup> March 2016 detailed the construction of a new police and crime plan and appointment of new members to the Strategic Policing and Crime Board to take place in 2016/17. The statement also included the continued implementation of the WMP2020 programme to ensure the Force operates efficiently and effectively within limited resources.

All the issues raised in previous annual governance statements have been implemented successfully or continued to be implemented due to the ongoing nature of the issues.

## 9. Future Developments

Looking forward there are several initiatives that will potentially impact on the role and remit of the Commissioner that may require governance arrangements to be amended. These include:-

- The newly elected Metro Mayor and the Combined Authority.
- The duty to cooperate across police, fire and ambulance services, including the potential to create a single employer between fire and police and PCCs taking on the functions of fire and rescue authorities.
- Changes to the Commissioner's oversight role of police complaints including the option for PCCs to take on the responsibility for the front end of the complaints systems.
- Further collaborative working with police forces in areas such as serious and organised crime, counter terrorism, roads policing and uniformed operations, with a concurrent requirement to develop effective collaborative governance arrangements based on formal collaboration agreements.
- The development of the anticipated Police and Crime bill in 2018 and any subsequent legislation.
- The implementation of a revised funding formula for policing will have implications on the level of resources available for policing services across the West Midlands.
- Impacts on policing from the United Kingdom's exit from the European Union.

## 10. Monitoring the Implementation of Actions

The systems the Commissioner has in place to monitor the implementation of the Police and Crime Plan through the delivery plan and the risk register will ensure activities detailed in this statement are implemented. Progress of the implementation of actions will be reported in next year's Annual Governance Statement.

### Signed

David Jamieson  
Police and Crime Commissioner West Midlands

Jonathan Jardine  
Head of Paid Staff, West Midlands Police and Crime Commissioner

Mark Kenyon  
Chief Finance Officer, West Midlands Police and Crime Commissioner

# 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 2017.

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

In accordance with regulation 9 of the Account and Audit Regulations 2015, I certify that the Statement of Accounts presents a true and fair view of the consolidated financial position of the Police and Crime Commissioner of the West Midlands as at 31 March 2017 and its income and expenditure for the year then ended.

Mark Kenyon CPFA  
Chief Finance Officer to the Police and Crime Commissioner  
Date: 28 September 2017

## **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 have been certified by the responsible financial officer and approved by the Police and Crime Commissioner for the West Midlands on 28 September 2017, in accordance with regulation 9 of the Accounts and Audit Regulations 2015.

David Jamieson  
Police and Crime Commissioner for the West Midlands  
Date: 28 September 2017

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





## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2016-17 - 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 as this is reported internally 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 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 8 to the Accounts.

2015-16 gross expenditure £'000 restated	2015-16 gross income £'000 restated	2015-16 net expenditure £'000 restated	GROUP	Notes	2016-17 gross expenditure £'000	2016-17 gross income £'000	2016-17 net expenditure £'000
614,757	(59,389)	555,368	<b>Chief Constable</b>				
			Policing Services		646,785	(78,400)	568,385
11,502	(643)	10,859	<b>WMP 2020 Projects</b>		17,894	(2,135)	15,759
			<b>Police and Crime Commissioner</b>				
2,562	0	2,562	Office of the PCC		1,952	(47)	1,905
10,488	(3,084)	7,404	Commissioned Services		8,582	(3,319)	5,263
<b>639,309</b>	<b>(63,116)</b>	<b>576,193</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>675,213</b>	<b>(83,901)</b>	<b>591,312</b>
0	(32)	(32)	Net (gain)/loss on disposal		0	(271)	(271)
2,867	0	2,867	Interest Payable and Similar Charges		2,714	0	2,714
0	(1,296)	(1,296)	Interest and Investment Income		0	(1,089)	(1,089)
228,418	0	228,418	Pension Net Interest Cost	19	211,460	0	211,460
0	(73,662)	(73,662)	Pensions Top Up Grant Receivable		0	(88,949)	(88,949)
<b>870,594</b>	<b>(138,106)</b>	<b>732,488</b>	<b>NET OPERATING EXPENDITURE</b>		<b>889,387</b>	<b>(174,210)</b>	<b>715,177</b>
0	(90,771)	(90,771)	Council Tax Payer		0	(95,903)	(95,903)
0	(252,263)	(252,263)	Police Grant	14	0	(250,824)	(250,824)
0	(181,310)	(181,310)	DCLG Grant	14	0	(180,276)	(180,276)
0	(7,514)	(7,514)	Non-Specific Government Grants		0	(6,338)	(6,338)
<b>870,594</b>	<b>(669,964)</b>	<b>200,630</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>889,387</b>	<b>(707,551)</b>	<b>181,836</b>
		(1,041)	(Surplus)/Deficit on the revaluation of fixed assets				(4,637)
		(1,151,123)	Re-measurement of the net defined benefit liability	19			1,308,658
		(1,152,164)	<b>Other Comprehensive Income and Expenditure</b>				<b>1,304,021</b>
		(951,534)	<b>Total Comprehensive Income and Expenditure</b>				<b>1,485,857</b>

The 2016-17 Code requires that authorities present expenditure and income on services on the basis of reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice using Police Objective Analysis. An appendix to the Accounts on page 103 shows how the net expenditure and income has been restated.

The actuarial movements are due to a significant decrease in the discount rate at which pensions are paid and an increase in short term salary rises which increases the liability for active members of the scheme.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2016-17 – PCC (SINGLE ENTITY)

2015-16 gross expenditure £'000 restated	2015-16 gross income £'000 restated	2015-16 net expenditure £'000 restated	PCC	Notes	2016-17 gross expenditure £'000	2016-17 gross income £'000	2016-17 net expenditure £'000
2,562	0	2,562	Office of the PCC		1,952	(47)	1,905
10,488	(3,084)	7,404	Commissioned Services		8,582	(3,319)	5,263
<b>13,050</b>	<b>(3,084)</b>	<b>9,966</b>	<b>Total Cost of Services</b>		<b>10,534</b>	<b>(3,366)</b>	<b>7,168</b>
<b>590,338</b>	<b>(60,032)</b>	<b>530,306</b>	<b>PCC funding to the CC for financial resources consumed</b>		<b>626,154</b>	<b>(80,535)</b>	<b>545,619</b>
<b>603,388</b>	<b>(63,116)</b>	<b>540,272</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>636,688</b>	<b>(83,901)</b>	<b>552,787</b>
0	(32)	(32)	Net (gain)/loss on disposal		0	(271)	(271)
2,867	0	2,867	Interest Payable and Similar Charges		2,714	0	2,714
0	(1,296)	(1,296)	Interest and Investment Income		0	(1,089)	(1,089)
70	0	70	Pension Interest Cost and expected return on assets	19	79	0	79
73,662	(73,662)	0	Pensions Top Up Grant Receivable (paid to CC)		88,949	(88,949)	0
<b>679,987</b>	<b>(138,106)</b>	<b>541,881</b>	<b>NET OPERATING EXPENDITURE</b>		<b>728,430</b>	<b>(174,210)</b>	<b>554,220</b>
0	(90,771)	(90,771)	Council Tax Payer		0	(95,903)	(95,903)
0	(252,263)	(252,263)	Police Grant	14	0	(250,824)	(250,824)
0	(181,310)	(181,310)	DCLG Grant	14	0	(180,276)	(180,276)
0	(7,514)	(7,514)	Non-Specific Government Grants		0	(6,338)	(6,338)
<b>679,987</b>	<b>(669,964)</b>	<b>10,023</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>728,430</b>	<b>(707,551)</b>	<b>20,879</b>
		<b>(1,041)</b>	(Surplus)/Deficit on the revaluation of fixed assets				<b>(4,637)</b>
		<b>(260)</b>	Re-measurement of the net defined benefit liability	19			<b>(294)</b>
		<b>(1,301)</b>	<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(4,931)</b>
		<b>8,721</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>15,948</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 MOVEMENT IN RESERVES STATEMENT 2016-17

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	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2015</b>	<b>(12,042)</b>	<b>(141,733)</b>	<b>(153,775)</b>	<b>(22,537)</b>	<b>(3,079)</b>	<b>(179,390)</b>	<b>6,840,077</b>	<b>6,660,685</b>
<b>Movements in Reserves during 2015/16</b>								
<b>Total Comprehensive Income and Expenditure (per the CIES)</b>	<b>200,630</b>	<b>0</b>	<b>200,630</b>	<b>0</b>	<b>0</b>	<b>200,630</b>	<b>(1,152,164)</b>	<b>(951,534)</b>
Adjustments between accounting and funding basis under regulations	(196,274)	0	(196,274)	8,662	2,364	(185,248)	185,248	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>4,356</b>	<b>0</b>	<b>4,356</b>	<b>8,662</b>	<b>2,364</b>	<b>15,382</b>	<b>(966,916)</b>	<b>(951,534)</b>
Transfer to/from Earmarked Reserves	(4,356)	25,780	21,424	0	0	21,424	(21,424)	0
Increase/Decrease during the year	0	25,780	25,780	8,662	2,364	36,806	(988,340)	(951,534)
<b>Balance as at 31 March 2016 carried forward</b>	<b>(12,042)</b>	<b>(115,953)</b>	<b>(127,995)</b>	<b>(13,875)</b>	<b>(715)</b>	<b>(142,584)</b>	<b>5,851,736</b>	<b>5,709,151</b>
<b>Movements in Reserves during 2016/17</b>								
<b>Total Comprehensive Income and Expenditure</b>	<b>181,836</b>	<b>0</b>	<b>181,836</b>	<b>0</b>	<b>0</b>	<b>181,836</b>	<b>1,304,021</b>	<b>1,485,857</b>
Adjustments between accounting and funding basis under regulations	(174,137)	0	(174,137)	(475)	(56)	(174,668)	174,668	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>7,699</b>	<b>0</b>	<b>7,699</b>	<b>(475)</b>	<b>(56)</b>	<b>7,168</b>	<b>1,478,689</b>	<b>1,485,857</b>
Transfer to/from Earmarked Reserves	(7,699)	21,950	14,250	0	0	14,250	(14,250)	0
Increase/Decrease during the year	0	21,950	21,950	(475)	(56)	21,418	1,464,439	1,485,857
<b>Balance as at 31 March 2017 carried forward</b>	<b>(12,042)</b>	<b>(94,003)</b>	<b>(106,045)</b>	<b>(14,350)</b>	<b>(771)</b>	<b>(121,166)</b>	<b>7,316,175</b>	<b>7,195,008</b>

The adjustments between accounting and funding basis under regulations are shown in detail in note 26.

The balances carried forward for usable and unusable reserves are shown on the lower half of the Balance Sheet on page 35.

Note: It is now a presentation requirement in the Code of Practice to present the total General Fund Balance on the face of the Movement in Reserves Statement and as such an additional column has been added summing the earmarked reserves with the General Fund reserve.

Total Comprehensive Income and Expenditure is no longer split between Surplus or deficit on provision of services and Other comprehensive income and expenditure as this is shown in the Comprehensive Income and Expenditure Statement.

## PCC MOVEMENT IN RESERVES STATEMENT 2016-17

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	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total PCC Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2015</b>	<b>(12,042)</b>	<b>(141,733)</b>	<b>(153,775)</b>	<b>(22,537)</b>	<b>(3,079)</b>	<b>(179,390)</b>	<b>(91,519)</b>	<b>(270,910)</b>
<b>Movements in Reserves during 2015/16</b>								
<b>Total Comprehensive Income and Expenditure (per the CIES)</b>	<b>10,023</b>	<b>0</b>	<b>10,023</b>	<b>0</b>	<b>0</b>	<b>10,023</b>	<b>(1,302)</b>	<b>8,721</b>
Adjustments between accounting and funding basis under regulations	(111)	0	(111)	8,662	2,364	10,915	(10,915)	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>9,912</b>	<b>0</b>	<b>9,912</b>	<b>8,662</b>	<b>2,364</b>	<b>20,938</b>	<b>(12,217)</b>	<b>8,721</b>
Transfer to/from Earmarked Reserves	(4,356)	25,780	21,424	0	0	21,424	(21,424)	0
Increase/Decrease during the year	5,556	25,780	31,336	8,662	2,364	42,362	(33,641)	8,721
<b>Balance as at 31 March 2016 carried forward</b>	<b>(6,486)</b>	<b>(115,953)</b>	<b>(122,439)</b>	<b>(13,875)</b>	<b>(715)</b>	<b>(137,028)</b>	<b>(125,159)</b>	<b>(262,189)</b>
<b>Movements in Reserves during 2016/17</b>								
<b>Total Comprehensive Income and Expenditure</b>	<b>20,879</b>	<b>0</b>	<b>20,879</b>	<b>0</b>	<b>0</b>	<b>20,879</b>	<b>(4,931)</b>	<b>15,948</b>
Adjustments between accounting and funding basis under regulations	(18,736)	0	(18,736)	(475)	(56)	(19,267)	19,267	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>2,143</b>	<b>0</b>	<b>2,143</b>	<b>(475)</b>	<b>(56)</b>	<b>1,612</b>	<b>14,336</b>	<b>15,948</b>
Transfer to/from Earmarked Reserves	(7,699)	21,950	14,250	0	0	14,250	(14,250)	0
Increase/Decrease during the year	(5,556)	21,950	16,394	(475)	(56)	15,862	86	15,948
<b>Balance as at 31 March 2017 carried forward</b>	<b>(12,042)</b>	<b>(94,003)</b>	<b>(106,045)</b>	<b>(14,350)</b>	<b>(771)</b>	<b>(121,166)</b>	<b>(125,073)</b>	<b>(246,240)</b>

Note: It is now a presentation requirement in the Code of Practice to present the total General Fund Balance on the face of the Movement in Reserves Statement and as such an additional column has been added summing the earmarked reserves with the General Fund reserve.

Total Comprehensive Income and Expenditure is no longer split between Surplus or deficit on provision of services and Other comprehensive income and expenditure as this is shown in the Comprehensive Income and Expenditure Statement.

## GROUP AND PCC BALANCE SHEET 2016-17

	Notes	PCC as at 31 March 2016 £'000	Group as at 31 March 2016 £'000	PCC as at 31 March 2017 £'000	Group as at 31 March 2017 £'000
<b>Operational Assets:</b>					
Land and Buildings	28	94,732	94,732	141,097	141,097
Vehicles, Plant, Furniture and Equipment	28	14,380	14,380	17,665	17,665
<b>Non Operational Assets: Assets Under Construction</b>					
	28	56,905	56,905	4,555	4,555
<b>Heritage Assets</b>					
	29	186	186	186	186
<b>Intangible Assets: (Software)</b>					
	32	2,650	2,650	3,173	3,173
		<b>168,853</b>	<b>168,853</b>	<b>166,676</b>	<b>166,676</b>
Long-term Investments	35	17,069	17,069	30,594	30,594
Long-term Debtors	36	1,309	1,309	1,149	1,149
<b>Long-Term Assets</b>					
		<b>187,230</b>	<b>187,230</b>	<b>198,419</b>	<b>198,419</b>
Short term investments	35	75,192	75,192	29,052	29,052
Inventory	38	846	846	1,033	1,033
Short Term Debtors	39	49,059	49,059	73,664	73,664
Assets held for sale (< 1 year)	41	711	711	1,135	1,135
Cash and Cash equivalents	40	54,518	54,518	51,451	51,451
<b>Current Assets</b>					
		<b>180,326</b>	<b>180,326</b>	<b>156,335</b>	<b>156,335</b>
Short-term borrowing	34	(966)	(966)	(1,022)	(1,022)
Bank Overdraft	40	(762)	(762)	0	0
Short-term Creditors	42	(45,890)	(45,890)	(50,477)	(50,477)
Accumulated Absences	44	0	(3,255)	0	(3,573)
Provisions	21	(187)	(187)	(140)	(140)
<b>Current Liabilities</b>					
		<b>(47,805)</b>	<b>(51,059)</b>	<b>(51,639)</b>	<b>(55,212)</b>
Capital Long-Term Borrowing	34	(55,425)	(55,425)	(54,818)	(54,818)
Pensions Liability	19	(2,138)	(5,970,223)	(2,057)	(7,439,732)
Long-Term Liabilities		<b>(57,563)</b>	<b>(6,025,648)</b>	<b>(56,875)</b>	<b>(7,494,550)</b>
<b>Net Assets:</b>					
		<b>262,189</b>	<b>(5,709,151)</b>	<b>246,240</b>	<b>(7,195,008)</b>
<b>Usable Reserves:</b>					
Usable Capital Receipts Reserve	26	(13,875)	(13,875)	(14,350)	(14,350)
Other Earmarked Reserves	27	(75,706)	(75,706)	(72,302)	(72,302)
General Fund Reserves	27	(6,487)	(12,042)	(12,042)	(12,042)
Budget Reserve	27	(30,150)	(30,150)	(13,605)	(13,605)
Redundancy and Equal Pay Reserve	27	(10,097)	(10,097)	(8,097)	(8,097)
Capital Grants Unapplied	26	(715)	(715)	(771)	(771)
<b>Unusable Reserves:</b>					
Capital Adjustment Account	44	(106,275)	(106,275)	(103,400)	(103,400)
Revaluation Reserve	44	(17,679)	(17,679)	(20,773)	(20,773)
Pensions Reserve	19	2,138	5,975,779	2,057	7,439,732
Deferred Capital Receipts	36	(1,309)	(1,309)	(1,148)	(1,148)
Collection Fund Adjustment Account	44	(2,034)	(2,034)	(1,809)	(1,809)
Accumulated Compensated Absences Account	44		3,255		3,573
<b>Total Reserves:</b>					
		<b>(262,189)</b>	<b>5,709,151</b>	<b>(246,240)</b>	<b>7,195,008</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. 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. There was a difference between the pensions liability and pensions reserve in the 2015-16 accounts of £5.56m. This was due to the nature of a payment made to the Local Government

pension Scheme on 01 April 2015 for £11.149m. The payment was for the deficit in the pension scheme payable for 2015-16 and 2016-17. The Pension Accounts are balanced again in 2016/17.

## GROUP AND PCC CASH FLOW STATEMENT 2016-17

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 2016		Note	As at 31 March 2017	
£'000	£'000		£'000	£'000
<u>Operating Activities</u>				
<b>EXPENDITURE</b>				
490,411			486,281	
105,868			112,868	
2,867			2,714	
<b>599,146</b>			<b>601,863</b>	
<b>INCOME</b>				
(90,771)			(95,903)	
(181,310)			(180,276)	
(294,854)			(300,952)	
(407)			(326)	
(1,296)			(1,089)	
7,057			(11,466)	
<b>(561,581)</b>			<b>(590,011)</b>	
	<b>37,565</b>	<b>Net cash flows from operating activities</b>		<b>11,852</b>
<u>Investing activities</u>				
<b>EXPENDITURE</b>				
10,859			24,855	
(6,037)			13,525	
<b>4,822</b>			<b>38,380</b>	
<b>INCOME</b>				
8,662			(2,398)	
(42,776)			(46,140)	
<b>(34,114)</b>			<b>(48,538)</b>	
	<b>(29,292)</b>	<b>Net cash flows from investing activities</b>		<b>(10,158)</b>
<u>Financing activities</u>				
	448	Repayments of short and long term borrowing		609
		Other Payments for Financing Activities		2
	<b>448</b>	<b>Net cash flows from financing activities</b>		<b>611</b>
	<b>8,721</b>	Net (increase)/decrease in cash and cash equivalents	45	<b>2,305</b>
	<b>62,477</b>	Cash and cash equivalents at the beginning of the reporting period	46	<b>53,756</b>
	<b>53,756</b>	Cash and cash equivalents at the end of the reporting period	46	<b>51,451</b>

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# NOTES TO THE ACCOUNTS

## 1. STATEMENT OF ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Group's transactions for the 2016-17 financial year and its position at the year end of 31 March 2017. The Commissioner is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which those regulations require 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 2016-17 and the Service Reporting Code of Practice 2016-17 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.

### a. 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 current value based on 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 2016-17. 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 2016-17. 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, 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 active market because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Property assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their 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.

Any surplus assets held by the Group will be valued at fair value, estimated at highest and best use from a market participant's perspective.

### **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**

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 current 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 and General Equipment is valued at depreciated historic cost as a proxy for fair value as the assets are written down to give a useful life of less than five years. Vehicle lives are set when purchased as between two and ten years to reflect the proposed use for the vehicle.

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.

## **b. Intangible Assets**

### **Recognition**

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Group's business or which arise from contractual or other legal rights where expenditure of at least £5,000 is incurred. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to the 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 of an intangible asset 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;
- 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. If an active market arises for any internally generated intangible assets these would then be valued 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.

## **c. 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.

#### **d. 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 (OPCC). 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. 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 police pensions top-up grant in his accounts to reflect income received to offset the cost of pensions paid in year.

#### **e. 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.

#### **f. 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. 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 Group's 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 2016-17 the PCC has not recognised any finance leases, however a review takes place each year to determine if any finance leases exist.

#### **g. 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 PCC 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.

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

## **h. Inventories and long-term contracts**

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.

Any long-term contracts where staged payments are not made will be accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## **i. 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.

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.

## **j. 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.

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

## **l. Financial Liabilities**

Financial liabilities are recognised in the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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.

## **m. Financial Assets**

The financial assets of the Group are all classified as loans and receivables. That is assets that have fixed or determinable payments but are not quoted in an active market

The group holds no available-for-sale financial assets.

Loans and receivables are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) of the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

## **n. 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 Group's 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.

## **o. Employee Benefits**

### **Benefits payable during employment**

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

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

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Group to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the Surplus or Deficit on the Provision or Services in the Comprehensive Income and Expenditure Statement when the Group 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, 2006 and 2015 Police Pensions Regulations are generally receivable into and payable out of the pensions fund and specific provision is made for officers' contributions and inward transfer values to be paid into the fund and for awards payable and outward transfer values to be paid out of the fund. Transfers into and out of the fund are recognised as income to (or expenditure from) the Police Pension fund account in the year in which the transfer occurs.

Pension payments to former 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 2016-17 was 11.4% on average.
- 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 of 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)* – 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 of 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 pension liability (asset) charged to the Pension 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.

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.

#### **p. Interest**

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

#### **q. 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 its share of cash collected from council taxpayers. The PCCWM also recognises in its Balance Sheet, its share of council tax debtor and creditor balances and impairment allowances from each of its billing authorities collection funds.

#### **r. Cash and Cash Equivalents**

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

#### **s. 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:

- (b) The Group has transferred the significant risks and rewards of ownership of the goods to the purchaser

- (c) The Group retains neither continuing managerial involvement or effective control over the goods sold
- (d) 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
- (e) 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.

#### **t. Value Added Tax**

All material 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.

VAT payable is included as an expense where it is not recoverable from HRMC, although this relates only to a very small proportion of the Group's overall expenditure.

#### **u. 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.

#### **v. 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.

#### **w. 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.

#### **x. Joint Operations**

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

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

## **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 2016-17 (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.

### **IFRS 9 Financial Instruments**

This amendment to IFRS 9 replaces the recognition and measurement of Financial Instruments as defined within IAS 39 and applies from 1<sup>st</sup> April 2018. Financial Assets held where there will be solely payments of Principal and Interest will adjust the measurement within the Accounts depending on whether these are Held to Collect (Amortised Cost) or Held to Collect and Sell (Fair Value). Impairments to Financial Instruments will need to be disclosed depending on the deterioration in Credit Quality for either a 12 month effect of credit losses or Lifetime credit losses. There will be additional lines, where applicable, within the CIES or notes presenting interest revenue calculated using effective interest rate, gains and losses on de-recognition of Financial Assets measured at Amortised cost and Impairment losses.

### **IFRS 15 Revenue from Contracts with Customers**

This Standard intends to recognise revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. The contract is identified and Performance obligations separated out with transaction prices allocated to each. Revenue should be recognised as and when an entity satisfies the performance obligations, which can be a staged process. The impact of this standard will be judged before application from 1<sup>st</sup> April 2018.

### **IFRS 16 Leases**

The IASB issued IFRS 16 Leases in January 2016. The standard has an effective date of 01 January 2019 which means that subject to CIPFA's Local Authority Code Board's consideration of the applicability of the standard to local authorities it will be adopted in the Code in the 2019/20 financial year.

The standard establishes a new accounting model for lessees in which all leases for assets above \$5k for more than 12 months will be accounted for by recognising a 'right to use' asset on the Balance Sheet, together with a liability for the present value of the lease payments. This means that leases currently accounted for as operating leases would be treated similarly to finance leases but recognising only a proportion of the assets value.

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in the Statement of Accounts in 2016-17 the PCC has had to make certain judgements about complex transactions involving uncertainty about future events. The critical judgements made in the statement of accounts are presented in the following paragraph:

- A judgement has been made about the cost to include in the financial statements in relation to the Chief Constable and the impacts of this on the PCC and Group accounts. Following the stage 2 transfer of resources which was interpreted based on the Scheme of Consents and

Delegation between the two corporation soles, the Chief Constable controls and directs police officers, PCSOs and the majority of police staff (excluding those staff directly employed by the PCC to manage his office), therefore all pay and pensions costs associated with these staff groups are presented in the Chief Constable's accounts. The CFOs for the PCC and Chief Constable have determined that the non-pay costs attributable to the assets and liabilities of the PCC will also form part of the cost of the Chief Constable since these are consumed under his direction and control.

#### 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 2017 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 £700k for every year that useful lives have to be reduced. The Net Book Value of Property, Plant and Equipment as at 31 March 2017 is £163m (£166m in 2015-16)
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 two 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 2017 is £7,442m (£5,970m in 2015-16). 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	Changes in the value of debts recovered will affect any surplus or deficit in the collection fund which results in a change to

	<p>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.</p>	<p>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 2017 is £6.53m (£6.72m in 2015-16) The bad debt provision for all Local Authorities is £85.38m as at 31 March 2017 (£86.87m in 2015-16)</p>
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## 5. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events between the Balance Sheet date and the signing of the accounts which require a Post Balance sheet disclosure.

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## 6. EXPENDITURE AND FUNDING ANALYSIS

2015-16 Net Expenditure Chargeable to the General Fund Balance £'000	2015-16 Adjustments between Funding and Accounting Basis £'000	2015-16 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	GROUP	2016-17 Net Expenditure Chargeable to the General Fund Balance £'000	2016-17 Adjustments between Funding and Accounting Basis £'000	2016-17 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
			<b>Chief Constable</b>			
527,260	28,108	555,368	Policing Services	524,763	43,622	568,385
10,859	0	10,859	WMP 2020 Projects	15,756	3	15,759
			<b>Police and Crime Commissioner</b>			
2,338	224	2,562	Office of the PCC	1,782	123	1,905
7,404	0	7,404	Commissioned Services	5,252	11	5,263
<b>547,861</b>	<b>28,332</b>	<b>576,193</b>	<b>Net Cost of Services</b>	<b>547,553</b>	<b>43,759</b>	<b>591,312</b>
(522,081)	146,518	(375,563)	Other Income and Expenditure	(525,603)	116,127	(409,476)
<b>25,780</b>	<b>174,850</b>	<b>200,630</b>	<b>Surplus or Deficit</b>	<b>21,950</b>	<b>159,886</b>	<b>181,836</b>

2015-16 Net Expenditure Chargeable to the General Fund Balance £'000	2015-16 Adjustments between Funding and Accounting Basis £'000	2015-16 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	PCC	2016-17 Net Expenditure Chargeable to the General Fund Balance £'000	2016-17 Adjustments between Funding and Accounting Basis £'000	2016-17 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
			<b>Police and Crime Commissioner</b>			
2,338	224	2,562	Office of the PCC	1,782	123	1,905
7,404	0	7,404	Commissioned Services	5,252	11	5,263
543,674	(13,368)	530,306	Funding to the CC	534,963	10,656	545,619
<b>553,416</b>	<b>(13,144)</b>	<b>540,272</b>	<b>Net Cost of Services</b>	<b>541,997</b>	<b>10,790</b>	<b>552,787</b>
(522,080)	(8,169)	(530,249)	Other Income and Expenditure	(525,603)	(6,305)	(531,908)
<b>31,336</b>	<b>(21,313)</b>	<b>10,023</b>	<b>Surplus or Deficit</b>	<b>16,394</b>	<b>4,485</b>	<b>20,879</b>

	Group		PCC	
	2015/16	2016/17	2015/16	2016/17
Opening General Fund Balance	(153,775)	(127,995)	(153,775)	(122,439)
Less Deficit on General Fund Balance in Year	25,780	21,950	31,336	16,394
Closing General Fund Balance at 31 March	(127,995)	(106,045)	(122,439)	(106,045)

## 7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2016/17 GROUP	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
<b>Chief Constable</b>				
Policing Services	10,656	32,647	319	43,622
WMP 2020 Projects		3		3
<b>Police and Crime Commissioner</b>				
Office of the PCC		123		123
Commissioned Services		11		11
<b>Net Cost of Services</b>	<b>10,656</b>	<b>32,784</b>	<b>319</b>	<b>43,759</b>
Other Income and Expenditure	(6,609)	122,511	225	116,127
<b>Surplus or Deficit</b>	<b>4,048</b>	<b>155,295</b>	<b>544</b>	<b>159,886</b>

2015/16 GROUP	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
<b>Chief Constable</b>				
Policing Services	(13,368)	41,447	29	28,108
WMP 2020 Projects				0
<b>Police and Crime Commissioner</b>				
Office of the PCC		224		224
Commissioned Services				0
<b>Net Cost of Services</b>	<b>(13,368)</b>	<b>41,671</b>	<b>29</b>	<b>28,332</b>
Other Income and Expenditure	(7,546)	154,756	(692)	146,518
<b>Surplus or Deficit</b>	<b>(20,914)</b>	<b>196,427</b>	<b>(663)</b>	<b>174,850</b>

Note 1 – This column adds in depreciation, impairments and revaluation losses, it also adjusts for Capital disposals, Capital Grants and MRP

Note 2 – This shows which lines have been affected by the removal of pension contributions and replaced with IAS 19 transactions

Note 3 – This column includes adjustments for Collection Fund and Accumulated Absences adjustments

2016/17 PCC	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
<b>Police and Crime Commissioner</b>				
Office of the PCC		123		123
Commissioned Services		11		11
Funding to the CC	10,656			10,656
<b>Net Cost of Services</b>	<b>10,656</b>	<b>134</b>	<b>0</b>	<b>10,790</b>
Other Income and Expenditure	(6,609)	79	225	(6,305)
<b>Surplus or Deficit</b>	<b>4,047</b>	<b>213</b>	<b>225</b>	<b>4,485</b>

2015/16 PCC	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
<b>Police and Crime Commissioner</b>				
Office of the PCC		224		224
Commissioned Services				0
Funding to the CC	(13,368)			(13,368)
<b>Net Cost of Services</b>	<b>(13,368)</b>	<b>224</b>	<b>0</b>	<b>(13,144)</b>
Other Income and Expenditure	(7,546)	70	(692)	(8,169)
<b>Surplus or Deficit</b>	<b>(20,914)</b>	<b>294</b>	<b>(692)</b>	<b>(21,313)</b>

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

2015-16 PCC Outturn £'000 Restated	2015-16 Group Outturn £'000		2016-17 PCC Outturn £'000	2016-17 Group Outturn £'000
0	397,011	Police Pay and Allowances	0	394,465
1,343	127,830	Police Staff and PCSO Pay and Allowances	1,546	129,141
530	4,620	Other Employee Expenses	50	5,472
<b>1,873</b>	<b>529,461</b>	<b>Sub Total Employee Costs</b>	<b>1,596</b>	<b>529,078</b>
0	17,955	Premises Related Costs	0	20,986
15	8,347	Transport/Travel Costs	17	8,670
8,919	64,003	Supplies & Services	8,917	78,171
1,850	8,414	Agency Expenses	4	9,648
0	9,608	Capital Financing Costs	0	26,601
<b>12,657</b>	<b>637,788</b>	<b>TOTAL GROSS EXPENDITURE</b>	<b>10,534</b>	<b>673,154</b>
(3,084)	(63,115)	External Income	(3,366)	(83,901)
393	1,520	Non-Distributed Costs	0	2,059
<b>9,966</b>	<b>576,193</b>	<b>NET COST - GENERAL FUND SERVICES</b>	<b>7,168</b>	<b>591,312</b>

The Subjective analysis for 2015-16 has been restated to allow for the change in accounting judgement as a result of the adjustment to the presentation of the face of the Comprehensive Income and Expenditure Statement under the 2016-17 Code. Non-pay costs relating to the maintenance of Fixed Assets are no longer shown in the PCC single entity accounts.

Within the subjective analysis in the table above the costs relating to the PCC are shown in the first column. The employee costs represent the costs of the staff in the Office for Policing and Crime who are under the direction and control of the PCC.

Premises costs have increased due to payment of dilapidation costs for leased properties vacated as part of the Central Birmingham rationalisation. Other move costs and minor adaptations to buildings have been made to accommodate staff and officers in new locations.

Equipment purchases, significantly for the national CBRN hub, have increased spend on supplies & services this year. There has also been investment in IT software and systems mainly for WMP2020 projects.

Agency expenses have increased with additional costs for Home Office ICT charges and some additional costs for Regional collaborations.

Revaluation losses in year have increased Capital Financing costs charged to comprehensive income and expenditure.

Additional income has been received to support the Counter Terrorism unit and CBRN unit. There has also been additional income from the Home Office to support Police Innovation Fund bids and to cover the cost of Operation Pelkin for 2016-17.

## 9. AGENCY EXPENDITURE

	PCC 31 March 2016 £'000 Restated	Group 31 March 2016 £'000	PCC 31 March 2017 £'000	Group 31 March 2017 £'000
Levies	0	4,747	0	4,726
Government Departments	0	1,319	0	2,702
Health Authorities	0	25	0	129
Other Local Authorities	0	194	0	474
All other bodies	1,850	2,129	4	1,617
<b>Total agency expenditure</b>	<b>1,850</b>	<b>8,414</b>	<b>4</b>	<b>9,648</b>

Agency expenditure is included within the net cost of policing services (see note 8) in the group accounts.

## 10. EMPLOYEE REMUNERATION

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

2015-16 Police officers	2015-16 Police staff	2015-16 Total	Earnings Band	2016-17 Police Officers	2016-17 Police Staff	2016-17 Total
6,370	3,690	10,060	Less than £49,999	6,077	3,668	9,745
274	27	301	£50,000-£54,999	349	20	369
177	5	182	£55,000 - £59,999	176	10	186
37	8	45	£60,000 - £64,999	45	8	53
24	6	30	£65,000 - £69,999	15	7	22
5	2	7	£70,000 - £74,999	11	2	13
8	0	8	£75,000 - £79,999	18	1	19
8	4	12	£80,000 - £84,999	8	2	10
12	3	15	£85,000 - £89,999	12	4	16
0	0	0	£90,000 - £94,999	0	0	0
0	0	0	£95,000 - £99,999	1	1	2
1	0	1	£100,000 - £104,999	0	0	0
0	0	0	£105,000 - £109,999	0	0	0
1	0	1	£110,000 - £114,999	0	0	0
1	1	2	£115,000 - £119,999	2	0	2
0	0	0	£120,000 - £124,999	0	0	0
0	0	0	£125,000 - £129,999	0	0	0
0	0	0	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	0	0	0
0	0	0	£140,000 - £144,999	0	0	0
0	0	0	£145,000 - £149,999	0	0	0
0	0	0	£150,000 - £154,999	0	0	0
1	0	1	£155,000 - £159,999	1	0	1
0	0	0	£160,000 - £164,999	0	0	0
1	0	1	£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
0	0	0	£190,000 - £194,999	1	0	1
0	0	0	£195,000 - £199,999	0	0	0
<b>6,920</b>	<b>3,746</b>	<b>10,666</b>	<b>Totals</b>	<b>6,716</b>	<b>3,723</b>	<b>10,439</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.

## 11. 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 2016-17

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 D Thompson		191.3	5.9	197.2	40.1	237.3
Deputy Chief Constable		148.1	5.7	153.8	30.7	184.5
Assistant Chief Constable (1)		119.0	6.7	125.7	24.0	149.7
Assistant Chief Constable (2)		114.5	7.1	121.6	23.4	145.0
Assistant Chief Constable (3)	1	48.5	2.9	51.4	10.0	61.4
Assistant Chief Constable (4)		109.9	2.5	112.4	21.7	134.1
Assistant Chief Constable (5)	1	49.4	0.0	49.4	10.4	59.8
Director of Resources	2	68.9	4.0	72.9	7.8	80.7
Director of Commercial Services (Acting)	3	38.8	6.7	45.5	4.4	49.9
Director of People & Organisation Development	4	24.4	0.0	24.4	2.4	26.8
<b>Total:</b>		<b>912.8</b>	<b>41.5</b>	<b>954.3</b>	<b>174.9</b>	<b>1,129.2</b>

#### Notes:

1. ACC (5) commenced temporary role of Assistant Chief Constable on Monday 19 September following the departure of ACC (3) to another Force.

2. Director of Resources – post holder left on 7 October 2016. The role was then split into two new Executive Team functions – a Directorate of Commercial Services and a Directorate of People and Organisation Development. The Post holder's annualised salary was £122,400

3. Director of Commercial Services – This post holder has filled the post on an acting basis from 24 October 2016. The Post holder's annualised salary is £93,100

4. Director of People & Organisation Development commenced this role on Monday 23 January 2017. The Post Holder's annualised salary is £118,000

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 David Jamieson		100.0	0	0	100.0	11.4	111.4
Deputy Police and Crime Commissioner	1	7.6	0	0	7.6	0.8	8.4
West Midlands Office for Policing and Crime -Chief Executive		81.4	0	0	81.4	9.3	90.7
West Midlands Office for Policing and Crime – Chief Finance Officer		69.9	0	0	69.9	8.0	77.9
West Midlands Office for Policing and Crime – Legal Advisor	2	32.8	0	0	32.8	3.7	36.5
<b>Total:</b>		<b>291.7</b>	<b>0</b>	<b>0</b>	<b>291.7</b>	<b>33.2</b>	<b>324.9</b>

Note 1: The Deputy Police and Crime Commissioner left on the 11th May 2016

Note 2: The West Midlands OPCC Legal Advisor is employed for 0.39 FTE. The post holders' annualised equivalent salary is £83,500

### Senior Officers' remuneration in 2015-16

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	1	165.5	3.1	168.6	0	168.6
Chief Constable D Thompson	2	34.4	1.4	35.8	7.2	43.0
Deputy Chief Constable (1)		121.4	4.6	126.0	25.3	151.3
Deputy Chief Constable (2)	3	24.6	1.0	25.6	5.1	30.7
Assistant Chief Constable (1)		113.4	5.7	119.1	23.1	142.3
Assistant Chief Constable (2)	4	82.3	3.0	85.3	20.1	105.4
Assistant Chief Constable (3)		119.8	4.6	124.4	23.6	148.0
Assistant Chief Constable (4)		105.0	4.7	109.7	21.6	131.4
Assistant Chief Constable (5)	5	17.1	1.0	18.1	3.6	21.7
Director of Resources		119.7	8.3	128.0	13.5	141.6
<b>Total:</b>		<b>903.3</b>	<b>37.4</b>	<b>940.7</b>	<b>143.2</b>	<b>1,083.9</b>

1. Chief Constable Sims retired from the force on 11 January 2016 His annualised salary is £195,000

2. Chief Constable Thompson was recruited to this post on 11 January 2016. Prior to this he was the Deputy Chief Constable. The post holders annualised salary (including fees and allowances) is £190,000

3. The Deputy Chief Constable commenced their role on 1 February 2016. The post holders annualised salary (including fees and allowances) is £147,500
4. This Assistant Chief Constable commenced their role on 1 June 2015. The post holders annualised salary (including fees and allowances) is £105,300
5. This Assistant Chief Constable left the force on 31 May 2015. This post holders annualised salary (including fees and allowances) is £102,500

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 David Jamieson		100.0	0	0	100.0	11.4	111.4
Deputy Police and Crime Commissioner Ms Yvonne Mosquito		62.0	0	0	62.0	7.1	69.1
West Midlands Office for Policing and Crime Chief Executive (1)	1	11.5	74.6	2.4	88.5	278.9	367.5
West Midlands Office for Policing and Crime Chief Executive (2)	2	77.0	0	0	77.0	8.6	85.6
West Midlands Office for Policing and Crime – Chief Finance Officer (1)	3	9.9	0	0	9.9	0	9.9
West Midlands Office for Policing and Crime – Chief Finance Officer (2)	4	39.7	0	0	39.7	4.5	44.2
West Midlands Office for Policing and Crime – Legal Advisor	5	31.9	0	0	31.9	3.6	35.5
<b>Total</b>		<b>331.9</b>	<b>74.6</b>	<b>2.4</b>	<b>408.9</b>	<b>314.2</b>	<b>723.1</b>

Notes:

1. The former Chief Executive of West Midlands Office for Policing and Crime retired on 30 April 2015. The post holder's annualised salary is £109,300. The employer's pension contribution for this post holder relate to charges from the Local Government Pension Scheme known as pension strain costs which are paid to the pension fund to make up contributions that would have been paid into the pension fund up to the individuals normal retirement date.
2. The current Chief Executive of West Midlands Office for Policing and Crime commenced this role on 27 May 2015. The post holders annualised salary is £79,200
3. The former Chief Finance Officer to the West Midlands Officer for Policing and Crime left this post on 30 September 2015. The post holder was employed for 0.2 FTE with an annualised salary of £105,000
4. The current Chief Finance Officer to the West Midlands Officer for Policing and Crime commenced this role on 1 September 2015. The post holder is full time and has an annualised salary of £68,000
5. 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

## 12. TERMINATION BENEFITS

This note discloses of the number and cost of agreed exit packages. It 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	
	2015-16	2016-17	2015-16 restated	2016-17	2015-16 restated	2016-17	2015-16 £'000	2016-17 £'000
£0 - £19,999	0	0	61	84	61	84	525	585
£20,000 - £39,999	0	0	15	14	15	14	451	440
£40,000 - £59,999	0	0	5	3	5	3	227	146
£60,000 - £79,999	0	0	1	7	1	7	79	496
£80,000 - £99,999	0	0	4	5	4	5	347	431
£100,000 +	0	0	4	6	4	6	757	892
<b>Total</b>	<b>0</b>	<b>0</b>	<b>90</b>	<b>119</b>	<b>90</b>	<b>119</b>	<b>2,386</b>	<b>2,990</b>

One 2015-16 exit package has been re-stated to include a pension strain payment which was not paid until 2016-17.

The costs shown in the table above relate to the payments made to individuals who have been made redundant or whose redundancy has been agreed as at 31 March 2017 but who have not left the Group at the Balance Sheet date.

## 13. EXTERNAL AUDIT COSTS

In 2016-17 the PCCWM incurred the following fees relating to external audit:

	Police and Crime Commissioner		Group	
	2015-16 £'000	2016-17 £'000	2015-16 £'000	2016-17 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	42	42	65	65
Fees payable to Grant Thornton UK LLP in respect of other services provided during the year	0	0	2	16

The appointed auditor in 2016-17 was Grant Thornton UK LLP. The fee payable by the PCCWM for the audit of the PCC and Group Accounts is £42,400. There is a further fee of £22,500 for the Audit of the Chief Constable of West Midlands Police accounts making a total fee of £64,900 for the Police and Crime Commissioner Group. In addition, Grant Thornton UK LLP provided tax advice to the Group and represented the Group in a national group action against HMRC.

## 14. GRANT INCOME

The Group credited the following grants to the Comprehensive Income and Expenditure Statement. All income is credited first to the PCCWM before being forming part of the funding transferred to the CCWMP for financial resources consumed under his direction and control. This table shows where the grants are finally consumed.

	CCWMP 2015-16 £'000	PCCWM 2015-16 £'000	CCWMP 2016-17 £'000	PCCWM 2016-17 £'000
<i>Credited to Taxation and Non Specific Grant Income</i>				
Police Grant	0	252,263	0	250,824
DCLG Grant	0	181,310	0	180,276
Capital Grants Received	0	7,514	0	6,338
Pensions top up grant receivable	73,662	0	88,949	0
<b>Total</b>	<b>73,662</b>	<b>441,087</b>	<b>88,949</b>	<b>437,438</b>
<i>Credited to Police Services</i>				
Loan Charges Grant	592	0	470	0
Counter Terrorism Grant	31,170	0	45,064	0
Disorder Grant	0	0	0	28
Other Grants	3,907	3,422	9,789	3,319

## 15. 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 14 above showing grant income credited to the Comprehensive Income and Expenditure Statement.

### Pension Schemes and Precepts

The Local Government Pension Scheme is administered by Wolverhampton City Council and the PCCWM has made payments to them of £17.40m in 2016-17 (£28.20m in 2015-16). 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 and Senior OPCC staff

Members of the Strategic Policing and Crime Board have direct control over the PCC's financial and operating policies. The PCC, his Assistant PCCs, 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 member of the Strategic Policing and Crime Board has declared that they were a trustee for a Foundation which was the recipient of an Active Citizens Grant of £111k in 2016/17. This member had no involvement in the decision to award the grant to the Foundation.

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.

### Force Senior Officers

No Chief Officers of the Force have declared any related party transactions in 2016-17.

### 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 39 and 42 respectively.

## 16. MEMBERS ALLOWANCES

Members of the Strategic Policing and Crime Board and the Joint Audit Committee are paid allowances and incidental expenses for their attendance at meetings and the work they do for these bodies throughout the year as designated by the Office for the Police and Crime Commissioner.

	2015-16 £'000	2016-17 £'000
Allowances paid	114	154
Expenses	7	6

## 17. 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.

2015-16 Outturn £'000		2016-17 Programme £'000	2016-17 Outturn £'000
	Property Plant and Equipment comprising:		
	Land and Buildings:		
11,843	New Police Buildings	591	152
20,443	Improvements and Adaptations	9,982	6,097
	Vehicles and Equipment:		
4,406	Vehicles	3,898	3,812
3,427	IT inc. Intangible software	21,995	10,679
372	Other Equipment	1,670	1,738
20	Casualty Partnership / NABIS	309	327
<b>40,511</b>	<b>TOTAL</b>	<b>38,445</b>	<b>22,805</b>
	<b>FINANCING OF EXPENDITURE</b>		
9,878	Capital Grants	5,984	6,281
9,048	Capital Receipts	11,486	2,083
21,424	Capital Reserve	20,975	14,250
161	Direct Revenue Financing	0	191
<b>40,511</b>	<b>TOTAL</b>	<b>38,445</b>	<b>22,805</b>

The opening Capital Financing Requirement (CFR) at the start of the current reporting period was £36.8m and the closing CFR was £35.4m. The reduction in the CFR is made up of the Minimum Revenue Provision (MRP) representing a decrease in the underlying need to borrow.

## 18. LEASES

### Operating Leases

The PCCWM leases several of the properties which it occupies. The amount paid in respect of property rentals in 2016-17 was £2.6m including service charges and insurance.

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

	31 March 2016 £'000	31 March 2017 £'000
Within one year	620	587
Within two to five years	936	1,325
After more than five years	1,449	1,345
<b>Total</b>	<b>3,005</b>	<b>3,257</b>

### Finance leases

The PCCWM does not have any finance leases in 2016-17.

## 19. 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 pension's liabilities with investment assets.
- The Police Pension Scheme (defined benefit) for police officers - this is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Police pensions operate under three schemes: The 1987 scheme which no new members can now join, the 2006 Police pension scheme which all officers joining a pension scheme since 1 April 2006 became a member of and the 2015 scheme which all new officers join and many 2006 members transferred to in 2015-16. 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 PCSOs 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.

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

## Comprehensive Income and Expenditure Statement

2016-17	Local Government Pension Scheme PCC element	Local Government Pension Scheme Group	1987 Police Pension Scheme	Police Injury Awards	2006 Police Pension Scheme	2015 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Net cost of services:</u>							
Current service cost	(237)	(20,737)	(41,310)	(2,350)	(1,360)	(43,070)	<b>(108,827)</b>
Past service (cost)/ gain	0	0	0	0	0	0	<b>0</b>
Curtailments	0	(2,059)	0	0	0	0	<b>(2,059)</b>
<u>Financing and Investing Income &amp; Expenditure:</u>							
Net Interest cost	(77)	(8,458)	(188,000)	(4,360)	(7,260)	(3,130)	<b>(211,208)</b>
Administration costs	(2)	(252)	0	0	0	0	<b>(252)</b>
<b>Total post-employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(316)</b>	<b>(31,506)</b>	<b>(229,310)</b>	<b>(6,710)</b>	<b>(8,620)</b>	<b>(46,200)</b>	<b>(322,346)</b>
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	<b>0</b>
<u>Re-measurements of the net defined benefit liability/asset Comprising:</u>							
Return on plan assets (excluding the amount included in the net interest cost)	674	86,656	0	0	0	0	<b>86,656</b>
Actuarial gains and losses arising on changes in demographic assumptions	80	14,893	112,960	29,620	(10)	0	<b>157,463</b>
Actuarial gains and losses arising on changes in financial assumptions	(1,486)	(239,818)	(1,220,770)	(20,590)	(99,590)	(56,910)	<b>(1,637,678)</b>
Experience gains and losses arising on the pension liabilities	2,296	40,378	17,157	13,810	(330)	2,630	<b>73,645</b>
<b>Net charge to Comprehensive Income and Expenditure Statement</b>	<b>1,248</b>	<b>(129,397)</b>	<b>(1,319,963)</b>	<b>16,130</b>	<b>(108,550)</b>	<b>(100,480)</b>	<b>(1,642,260)</b>

2015-2016	Local Government Pension Scheme PCC element	Local Government Pension Scheme Group	1987 Police Pension Scheme	Police Injury Awards	2006 Police Pension Scheme	2015 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net cost of services:</b>							
Current service cost	(231)	(22,735)	(61,450)	(6,950)	(2,160)	(44,210)	<b>(137,505)</b>
Past service (cost)/gain	0	0	0	0	0	0	<b>0</b>
Curtailments	(393)	(1,520)	0	0	0	0	<b>(1,520)</b>
<b><i>Financing and Investing Income &amp; Expenditure:</i></b>							
Net Interest cost	(69)	(8,135)	(206,150)	(4,260)	(8,660)	(1,010)	<b>(228,215)</b>
Administration costs	(1)	(203)	0	0	0	0	<b>(203)</b>
<b>Total post-employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(694)</b>	<b>(32,593)</b>	<b>(267,600)</b>	<b>(11,210)</b>	<b>(10,820)</b>	<b>(45,220)</b>	<b>(367,443)</b>
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	<b>0</b>
<b><i>Re-measurements of the net defined benefit liability/asset Comprising:</i></b>							
Return on plan assets (excluding the amount included in the net interest cost)	(102)	(14,377)	0	0	0	0	<b>(14,377)</b>
Actuarial gains and losses arising on changes in demographic assumptions	0	0	92,790	1,380	3,350	910	<b>98,430</b>
Actuarial gains and losses arising on changes in financial assumptions	362	46,868	550,360	14,490	47,310	5,360	<b>664,388</b>
Experience gains and losses arising on the pension liabilities	0	0	388,202	(2,980)	18,190	(730)	<b>402,682</b>
<b>Net charge to Comprehensive Income and Expenditure Statement</b>	<b>(434)</b>	<b>(102)</b>	<b>763,752</b>	<b>1,680</b>	<b>58,030</b>	<b>(39,680)</b>	<b>783,680</b>

## Movement in Reserves Statement

2016-17	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	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	316	31,506	229,310	6,710	8,620	46,200	<b>322,346</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>							
Employer's contributions payable to the scheme	(103)	(11,645)	0	0	0	0	<b>(11,645)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(166,850)	(2,460)	(120)	18,950	<b>(150,480)</b>

2015-2016	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	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	694	32,593	267,600	11,210	10,820	45,220	<b>367,443</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>							
Employer's contributions payable to the scheme	(400)	(22,361)	0	0	0	0	<b>(22,361)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(153,170)	(2,450)	370	17,780	<b>(137,470)</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 25 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:

2016-17	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(5,436)	(939,082)	(6,512,857)	(104,250)	(312,600)	(176,910)	<b>(8,045,699)</b>
Fair value of plan assets	3,379	605,967	0	0	0	0	<b>605,967</b>
Sub-total	<b>(2,057)</b>	<b>(333,115)</b>	<b>(6,512,857)</b>	<b>(104,250)</b>	<b>(312,600)</b>	<b>(176,910)</b>	<b>(7,439,732)</b>
Other movements in the liability	0	0	797	0	0	0	<b>797</b>
Net liability arising from the defined benefit obligation	<b>(2,057)</b>	<b>(333,115)</b>	<b>(6,512,060)</b>	<b>(104,250)</b>	<b>(312,600)</b>	<b>(176,910)</b>	<b>(7,438,935)</b>

2015-2016	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(5,867)	(716,350)	(5,357,800)	(122,840)	(203,890)	(57,480)	<b>(6,458,360)</b>
Fair value of plan assets	3,729	488,934	0	0	0	0	<b>488,934</b>
Sub-total	<b>(2,138)</b>	<b>(227,416)</b>	<b>(5,357,800)</b>	<b>(122,840)</b>	<b>(203,890)</b>	<b>(57,480)</b>	<b>(5,969,426)</b>
Other movements in the liability	0	0	(797)	0	0	0	<b>(797)</b>
Net liability arising from the defined benefit obligation	<b>(2,138)</b>	<b>(227,416)</b>	<b>(5,358,597)</b>	<b>(122,840)</b>	<b>(203,890)</b>	<b>(57,480)</b>	<b>(5,970,223)</b>

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

<b>2016-17</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>Unfunded liabilities: 2015 Police Pension Scheme £'000</b>	<b>Total £'000</b>
1 April -16	<b>(5,867)</b>	<b>(716,350)</b>	<b>(5,358,597)</b>	<b>(122,840)</b>	<b>(203,890)</b>	<b>(57,480)</b>	<b>(6,459,157)</b>
Current service cost	(237)	(20,737)	(41,310)	(2,350)	(1,360)	(43,070)	(108,827)
Interest cost	(217)	(27,034)	(188,000)	(4,360)	(7,260)	(3,130)	(229,784)
Contributions by scheme participants	(70)	(5,722)	(11,990)	0	(490)	(19,430)	(37,632)
Transfers into the scheme	0	0	(350)	0	(280)	0	(630)
Re-measurements of the net defined benefit liability/asset	890	(184,547)	(1,091,450)	22,840	(99,930)	(54,280)	(1,407,367)
Benefits paid	65	17,367	178,040	2,460	610	480	198,957
Curtailments	0	(2,059)	0	0	0	0	(2,059)
Past service costs	0	0	0	0	0	0	0
Other movements in the liability	0	0	797	0	0	0	797
31 March-17	<b>(5,436)</b>	<b>(939,082)</b>	<b>(6,512,060)</b>	<b>(104,250)</b>	<b>(312,600)</b>	<b>(176,910)</b>	<b>(8,045,702)</b>

<b>2015-2016</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>Unfunded liabilities: 2015 Police Pension Scheme £'000</b>	<b>Total £'000</b>
1 April -15	<b>(5,382)</b>	<b>(724,606)</b>	<b>(6,292,860)</b>	<b>(126,970)</b>	<b>(260,970)</b>	<b>0</b>	<b>(7,405,406)</b>
Current service cost	(231)	(22,735)	(61,450)	(6,950)	(2,160)	(44,210)	(137,505)
Interest cost	(184)	(24,485)	(206,150)	(4,260)	(8,660)	(1,010)	(244,565)
Contributions by scheme participants	(68)	(5,829)	(13,970)	0	(550)	(18,210)	(38,559)
Transfers into the scheme	0	0	(700)	0	(580)	(20)	(1,300)
Re-measurements of the net defined benefit liability/asset	362	46,868	1,050,190	12,890	68,850	5,540	1,184,338
Benefits paid	29	15,957	167,140	2,450	180	430	186,157
Curtailments	(393)	(1,520)	0	0	0	0	(1,520)
Past service costs	0	0	0	0	0	0	0
Other movements in the liability	0	0	(797)	0	0	0	(797)
31 March-16	<b>(5,867)</b>	<b>(716,350)</b>	<b>(5,358,597)</b>	<b>(122,840)</b>	<b>(203,890)</b>	<b>(57,480)</b>	<b>(6,459,157)</b>

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

	Local Government Pension Scheme PCC assets £'000		Local Government Pension Scheme Group assets £'000	
	2015-16	2016-17	2015-16	2016-17
	01 April	3,278	3,729	474,931
Interest on plan assets	115	140	16,350	18,576
Return on plan assets excluding the amount included in the net interest expense	(102)	674	(14,377)	86,656
Other Actuarial gains (losses)		(1,270)		12,053
Employer contributions	400	103	22,361	11,645
Member contributions	68	70	5,829	5,722
Benefits paid	(29)	(65)	(15,957)	(17,367)
Administration expenses	(1)	(2)	(203)	(252)
31 March	<b>3,729</b>	<b>3,379</b>	<b>488,934</b>	<b>605,967</b>

## History of the scheme

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

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>						
Local Government Pension Scheme	(939,082)	(716,350)	(724,606)	(561,470)	(570,623)	(476,067)
1987 Police Pension Scheme	(6,512,060)	(5,358,597)	(6,292,860)	(5,424,560)	(5,473,010)	(4,556,570)
Police Injury award Pensions	(104,250)	(122,840)	(126,970)	(187,630)	(210,810)	(180,210)
2006 Police Pension Scheme	(312,600)	(203,890)	(260,970)	(194,530)	(185,220)	(118,270)
2015 Police Pension Scheme	(176,910)	(57,480)	0	0	0	0
Fair value of assets in the Local Government Pension Scheme	605,967	488,934	474,931	404,159	378,872	331,620
<b>Subtotal</b>	<b>(7,438,935)</b>	<b>(5,970,223)</b>	<b>(6,930,475)</b>	<b>(5,964,031)</b>	<b>(6,060,791)</b>	<b>(4,999,497)</b>
<b>Surplus/(deficit) in the scheme:</b>						
Local Government Pension Scheme	(333,115)	(227,416)	(249,675)	(157,311)	(191,751)	(144,447)
1987 Police Pension Scheme	(6,512,060)	(5,358,597)	(6,292,860)	(5,424,560)	(5,473,010)	(4,556,570)
Police Injury award Pensions	(104,250)	(122,840)	(126,970)	(187,630)	(210,810)	(180,210)
2006 Police Pension Scheme	(312,600)	(203,890)	(260,970)	(194,530)	(185,220)	(118,270)
2015 Police Pension Scheme	(176,910)	(57,480)	0	0	0	0
<b>Total</b>	<b>(7,438,935)</b>	<b>(5,970,223)</b>	<b>(6,930,475)</b>	<b>(5,964,031)</b>	<b>(6,060,791)</b>	<b>(4,999,497)</b>

Within the amounts for 2016-17, the present value of liabilities relating to the staff within the Office for the Police and Crime Commissioner are £5.436m (£5.867m in 2015-16) 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 £3.379m (£3.729m in 2015-16).

The liabilities show the underlying commitments that the Group has in the long run to pay post-employment (retirement) benefits. The total liability of £7,439m has a substantial impact on the net worth of the Group recorded in the Balance Sheet, resulting in a negative overall balance of £7,195m. 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 2018 is £25.26m. Expected contributions for the Police Pension Scheme in the year to 31 March 2018 are £85.6m

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme liabilities have been assessed by the Government Actuary's Department and the Police staff liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. The estimates for the West Midlands Pension Fund have been based on the last full valuation of the scheme as at 31 March 2016.

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	
	2015-16	2016-17	2015-16	2016-17
	Years	Years	Years	Years
Mortality Assumptions:				
<b>Longevity at 65 for current pensioners:</b>				
Men	23.0	21.8	23.1	23.2
Women	25.7	24.2	25.1	25.2
<b>Longevity at 65 for future pensioners:</b>				
Men	25.3	23.9	25.1	25.2
Women	28.0	26.5	27.2	27.3
	%	%	%	%
Rate of CPI inflation	2.20	2.70	2.20	2.35
Rate of increase in salaries	3.95	4.20	4.50	4.35
Rate of increase in pensions	2.20	2.70	2.50	2.35
Rate for discounting scheme liabilities	3.80	2.80	3.55	2.65
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 PCC	Sensitivity analysis	Impact on the defined benefit obligation in the scheme		
		£000's	£000's	£000's
<b>Adjustment to the discount rate</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	5,316	5,436	5,599
<b>Adjustment to 1% p.a. short term salary increase</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	672	691	710
<b>Adjustments to pension increases and deferred valuations</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	5,460	5,436	5,412
<b>Adjustment to life expectancy assumptions</b>	Present value of total obligation	<b>+ 1 year</b>	<b>No change</b>	<b>- 1 year</b>
	Projected service cost	691	691	691
	Present value of total obligation	5,534	5,436	5,340
	Projected service cost	710	691	672
	Present value of total obligation	5,563	5,436	5,246
	Projected service cost	713	691	670

Local Government Pension Scheme Group	Sensitivity analysis	Impact on the defined benefit obligation in the scheme		
		£000's	£000	£000
<b>Adjustment to the discount rate</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	919,138	939,082	959,480
<b>Adjustment to 1% p.a. short term salary increase</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	34,223	35,135	36,071
<b>Adjustments to pension increases and deferred valuations</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	943,169	939,082	935,036
<b>Adjustment to life expectancy assumptions</b>	Present value of total obligation	<b>+ 1 year</b>	<b>No change</b>	<b>- 1 year</b>
	Projected service cost	35,135	35,135	35,135
	Present value of total obligation	955,393	939,082	923,146
	Projected service cost	36,071	35,135	34,222
	Present value of total obligation	972,769	939,082	906,596
	Projected service cost	36,256	35,135	34,049

Police Pension Scheme	Impact on the defined benefit obligation in the scheme
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	Increase in assumption £000's	Decrease in assumption £000's
Longevity (increase or decrease of 1 year)	180,400	(180,400)
Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%)	655,000	(655,000)
Rate of increase in salaries (increase or decrease by 0.5%)	108,200	(108,200)
Rate of discounting scheme liability (increase or decrease by 0.5%)	(718,300)	718,300

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 £606.0m for the fund as a whole at 31 March 2017 (£488.9m at 31 March 2016). 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 2016	31 March 2017	31 March 2016	31 March 2017
Asset category	Sub category	Quoted Y or N	£'000s	£'000s	£'000s	£'000s
Cash and cash equivalents	Cash instruments and accounts	Y	0	0	0	0
	Cash instruments and accounts	N	169	96	22,164	17,294
<b>Total Cash</b>			<b>169</b>	<b>96</b>	<b>22,164</b>	<b>17,294</b>
Equity Instruments	UK quoted	Y	437	619	57,206	110,893
	UK unquoted	N	22	0	2,933	0
	Overseas quoted	Y	1,346	1,308	176,339	234,570
	Overseas unquoted	N	435	250	57,204	44,841
<b>Total equity</b>			<b>2,240</b>	<b>2,177</b>	<b>293,682</b>	<b>390,304</b>
Bonds	UK Government fixed	Y	0	0	0	0
	UK Government fixed	N	52	41	6,845	7,272
	UK Government indexed	Y	0	210	0	37,934
	UK Government indexed	N	236	0	31,049	0
	UK other	Y	89	0	11,634	0
	UK other	N	82	139	10,657	24,845
	Overseas other	Y	0	0	0	0
	Overseas other	N	0	24	0	4,242
	Other	Y	30	0	3,911	0
<b>Total Bonds</b>			<b>489</b>	<b>414</b>	<b>64,096</b>	<b>74,293</b>
Property	UK and property funds	Y	305	260	40,016	46,680
<b>Total property</b>			<b>305</b>	<b>260</b>	<b>40,016</b>	<b>46,680</b>
Alternatives	Infrastructure	Y	7	3	977	606
	Infrastructure	N	127	101	16,624	18,179
	Absolute return	Y	0	0	0	0
	Absolute return	N	202	176	26,439	31,343
	Other fixed interest	Y	104	0	13,690	0
	Other fixed interest	N	86	152	11,246	27,268
<b>Total Alternatives</b>			<b>526</b>	<b>432</b>	<b>68,976</b>	<b>77,396</b>
<b>Total Assets held</b>			<b>3,729</b>	<b>3,379</b>	<b>488,934</b>	<b>605,967</b>

## 20. 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.

	2015-16 Capitalised Value £'000	2016-17 Actual Payments £'000	2016-17 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	2,157	111	1,991
	<b>2,157</b>	<b>111</b>	<b>1,991</b>

## 21. PROVISIONS

A new provision was recognised in 2015-16 for a portion of the costs of the core team provided by the forces innovation partner – Accenture. The current value of this provision is £0.14m. This is part of the contractual arrangement between the PCC and Accenture in relation to the provision of services to the PCC.

## 22. CONTINGENT LIABILITIES AND ASSETS

The Chief Constable of West Midlands Police, along with other Chief Constables and the Home Office, currently has 484 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016-17 Accounting Statements.

The Hillsborough inquiry is ongoing and our understanding is that this has been stayed until late 2017. This is one of a number of historical inquiries that are at various stages which potentially could have a financial impact on West Midlands Police.

## 23. 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 16 £'000	31 March 17 £'000
<b>Balance as at 1 April</b>	<b>277</b>	<b>324</b>
Income from confiscations and property auctions	186	147
Payments to charities	(140)	(183)
<b>Balance as at 31 March</b>	<b>324</b>	<b>288</b>

Notes 23 and 24 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 31 to 36.

## 24. TRUST FUNDS

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

Supported by the PCC, the Charity supports a number of police service related initiatives within the West Midlands. The balance on the funds accounts at 31 March 2017 was £147,223 (£144,517 at 31 March 2016).

### **The Alderman Guy Fund**

Supported by the Police Force this small charity makes awards to selected officers whose performance it recognises as being of particular merit.

The balance on the funds accounts at 31 March 2017 was £1,725 (£1,723 at 31 March 2016).

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

## 25. 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 2017 the balance on these accounts was £4,286,838, \$20,332 and €7,653. At 31 March 2016 the balance on these accounts was £4,273,579, \$9,146 and €61,564.

# NOTES TO THE MOVEMENT IN RESERVES STATEMENT

## 26. 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.

2016-17 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	(9,179)			(9,179)	9,179
Revaluation losses on Property, Plant and Equipment	(16,307)			(16,307)	16,307
Amortisation of intangible assets	(1,583)			(1,583)	1,583
Capital grants and contributions applied	6,282			6,282	(6,282)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,127)			(2,127)	2,127
<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)	1,418			1,418	(1,418)
Capital expenditure charged against the general fund balance	191			191	(191)
Voluntary provision above MRP	553			553	(553)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	6,338		(6,338)		
Application of grants to capital financing transferred to the Capital Adjustment Account	(6,282)		6,282		
<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	2,398	(2,398)			
Use of the Capital Receipts Reserve to finance new capital expenditure		2,083		2,083	(2,083)
Transfer from deferred Capital Receipts	160	(160)			
<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	(160)			(160)	160
<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	(233,397)			(233,397)	233,397
Employers pensions contributions and direct payments to pensioners payable in the year	78,102			78,102	(78,102)
<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	(225)			(225)	225
<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	(319)			(319)	319
<b>TOTAL ADJUSTMENTS</b>	<b>(174,137)</b>	<b>(475)</b>	<b>(56)</b>	<b>(174,668)</b>	<b>174,668</b>

2015-16 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	(7,767)			(7,767)	7,767
Revaluation losses on Property, Plant and Equipment	(351)			(351)	351
Amortisation of intangible assets	(1,596)			(1,596)	1,596
Capital grants and contributions applied	9,878			9,878	(9,878)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(353)			(353)	353
de-minimis capital purchases	(483)			(483)	483
<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)	1,477			1,477	(1,477)
Capital expenditure charged against the general fund balance	161			161	(161)
Voluntary provision above MRP	503			503	(503)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	7,514		(7,514)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(9,878)		9,878	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	386	(386)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		9,048		9,048	(9,048)
Transfer from deferred Capital Receipts				0	0
<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	(293,782)			(293,782)	293,782
Employers pensions contributions and direct payments to pensioners payable in the year	97,354			97,354	(97,354)
<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	692			692	(692)
<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	(29)			(29)	29
<b>TOTAL ADJUSTMENTS</b>	<b>(196,274)</b>	<b>8,662</b>	<b>2,364</b>	<b>(185,248)</b>	<b>185,248</b>

2016-17 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	(9,179)			(9,179)	9,179
Revaluation losses on Property, Plant and Equipment	(16,307)			(16,307)	16,307
Amortisation of intangible assets	(1,583)			(1,583)	1,583
Capital grants and contributions applied	6,282			6,282	(6,282)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,127)			(2,127)	2,127
<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)	1,418			1,418	(1,418)
Capital expenditure charged against the general fund balance	191			191	(191)
Voluntary provision above MRP	553			553	(553)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	6,338		(6,338)		
Application of grants to capital financing transferred to the Capital Adjustment Account	(6,282)		6,282		
<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	2,398	(2,398)			
Use of the Capital Receipts Reserve to finance new capital expenditure		2,083		2,083	(2,083)
Transfer from Deferred Capital Receipts	160	(160)			
<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	(160)			(160)	160
<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	(316)			(316)	316
Employers pensions contributions and direct payments to pensioners payable in the year	103			103	(103)
<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	(225)			(225)	225
<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
<b>TOTAL ADJUSTMENTS</b>	<b>(18,736)</b>	<b>(475)</b>	<b>(56)</b>	<b>(19,267)</b>	<b>19,267</b>

2015-16 PCC	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'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	(7,767)			(7,767)	7,767
Revaluation losses on Property, Plant and Equipment	(351)			(351)	351
Amortisation of intangible assets	(1,596)			(1,596)	1,596
Capital grants and contributions applied	9,878			9,878	(9,878)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(353)			(353)	353
de-minimis capital purchases	(483)			(483)	483
<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)	1,477			1,477	(1,477)
Capital expenditure charged against the general fund balance	161			161	(161)
Voluntary provision above MRP	503			503	(503)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	7,514		(7,514)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(9,878)		9,878	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	386	(386)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		9,048		9,048	(9,048)
Transfer from Deferred Capital Receipts				0	0
<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				0	0
<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	(694)			(694)	694
Employers pensions contributions and direct payments to pensioners payable in the year	400			400	(400)
<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	692			692	(692)
<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
<b>TOTAL ADJUSTMENTS</b>	<b>(111)</b>	<b>8,662</b>	<b>2,364</b>	<b>10,915</b>	<b>(10,915)</b>

## 27. 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 2016-17.

	Balance at 31 March 2015	Trf to reserves in 2015-16	Trf from reserves in 2015- 16	Trf between reserves in 2015-16	Balance at 31 March 2016	Trf to reserves in 2016- 17	Trf from reserves in 2016- 17	Trf between reserves in 2016-17	Balance at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital	(42,399)	0	21,424	0	(20,975)	0	14,250	0	(6,725)
Budget reserve	(38,357)	0	8,207	0	(30,150)	0	16,545	0	(13,605)
Redundancy and Equal pay reserve	(10,097)	0	0	0	(10,097)	0	0	2,000	(8,097)
Self-funded insurance	(11,652)	(2,506)	4,468	0	(9,691)	(2,506)	3,909	(2,000)	(10,288)
Devolved Budget reserve	(6,754)	(8,891)	3,370	0	(12,275)	(9,367)	0	0	(21,642)
Uniform and protective equipment reserve	(2,724)	(429)	138	0	(3,015)	(1,729)	597	0	(4,147)
Major incidents	(2,153)	0	0	0	(2,153)	0	0	0	(2,153)
PoCA income reserve	(1,082)	0	0	0	(1,082)	0	250	0	(832)
Risk reserve	(1,022)	0	0	0	(1,022)	0	0	0	(1,022)
Budget Resilience reserve	(25,492)	0	0	0	(25,492)	0	0	0	(25,492)
<b>Earmarked Reserves</b>	<b>(141,732)</b>	<b>(11,826)</b>	<b>37,607</b>	<b>0</b>	<b>(115,952)</b>	<b>(13,602)</b>	<b>35,551</b>	<b>0</b>	<b>(94,003)</b>
<b>General Fund Reserves</b>	<b>(12,042)</b>	<b>0</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

### 28. PROPERTY, PLANT AND EQUIPMENT – MOVEMENT ON BALANCES

#### Movements in 2016-17

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation at 31 March 2016</b>	<b>98,310</b>	<b>62,300</b>	<b>56,905</b>	<b>217,514</b>
Additions in Year	1,361	10,024	9,644	21,029
Transfer between Categories	60,215		(61,724)	(1,509)
De Minimis	(28)	(277)		(305)
Disposals in Year	(1,145)	(4,384)	(270)	(5,799)
Revaluation Gains in Year	4,566			4,566
Revaluation Losses in Year	(16,406)			(16,406)
Impairments in Year				
<b>Cost or valuation at 31 March 2017</b>	<b>146,873</b>	<b>67,662</b>	<b>4,555</b>	<b>219,090</b>
<b>Accumulated Depreciation at 31 March 2016</b>	<b>3,578</b>	<b>47,920</b>	<b>0</b>	<b>51,497</b>
Depreciation Charge in Year	2,450	6,386		8,836
Transfer between Categories				
Depreciation written out on Revaluation	(170)			(170)
Depreciation written out on Revaluation Loss				
Depreciation written out on Impairment				
Disposals in Year	(82)	(4,310)		(4,392)
<b>Accumulated Depreciation at 31 March 2017</b>	<b>5,776</b>	<b>49,997</b>	<b>0</b>	<b>55,773</b>
<b>Net Book Value at 31 March 2017</b>	<b>141,097</b>	<b>17,665</b>	<b>4,555</b>	<b>163,317</b>
<b>Net Book Value at 31 March 2016</b>	<b>94,732</b>	<b>14,380</b>	<b>56,905</b>	<b>166,017</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 Current 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.

## Comparative Movements in 2015-16

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<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>
Additions in Year	592	7,204	32,338	40,134
Transfer between Categories	12,908		(13,619)	(711)
De Minimis	(1)	(471)		(472)
Disposals in Year	(277)	(11,994)		(12,271)
Revaluation Gains in Year	784			784
Revaluation Losses in Year	(525)			(525)
Impairments in Year				
<b>Cost or valuation at 31 March 2016</b>	<b>98,310</b>	<b>62,300</b>	<b>56,905</b>	<b>217,514</b>
<b>Accumulated Depreciation at 31 March 2015</b>	<b>2,123</b>	<b>53,959</b>	<b>0</b>	<b>56,082</b>
Depreciation Charge in Year	1,915	5,852		7,767
Transfer between Categories				
Depreciation written out on Revaluation	(281)			(281)
Depreciation written out on Revaluation Loss	(151)			(151)
Depreciation written out on Impairment				
Disposals in Year	(28)	(11,890)		(11,918)
<b>Accumulated Depreciation at 31 March 2016</b>	<b>3,578</b>	<b>47,920</b>	<b>0</b>	<b>51,497</b>
<b>Net Book Value at 31 March 2016</b>	<b>94,732</b>	<b>14,380</b>	<b>56,905</b>	<b>166,017</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>

## Valuations

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Total £000
Carried at Historical Cost	3,183	67,662	70,845
Valued at current value as at:			
28 February 2017	26,500		26,500
1 April 2016	38,850	0	38,850
1 April 2015	18,085	0	18,085
1 April 2014	60,255	0	60,255
1 April 2013	0	0	0
1 April 2012	0	0	0
<b>Total cost or valuation</b>	<b>146,873</b>	<b>67,662</b>	<b>214,535</b>

## 29. 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 and Coventry 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 valued at £156k which is an insurance valuation.

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

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.

## 30. FUTURE CAPITAL COMMITMENTS

There are no material Capital Contracts currently committed, but it is the intention to invest Capital resources as part of the WMP2020 Programme.

## 31. STATEMENT OF PHYSICAL ASSETS

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

	31 March 16	31 March 17
Operational Police Stations	10	10
Beat Offices	71	61
Police Administrative Buildings	4	2
Police Houses	19	15
Standalone Radio Aerials	2	2
Garages	1	1
Training Centres	4	4
Other Property	40	33

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.

## 32. INTANGIBLE ASSETS

The PCCWM accounts for its software as intangible assets, where 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:

	2015-16			2016-17		
	Internally generated assets	Other Assets	Total	Internally generated assets	Other assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Balance at start of year</u>						
Gross carrying amounts	0	13,321	13,321	0	13,299	13,299
Accumulated amortisation	0	(9,440)	(9,440)	0	(10,649)	(10,649)
Net carrying amount at start of year	<b>0</b>	<b>3,881</b>	<b>3,881</b>	<b>0</b>	<b>2,650</b>	<b>2,650</b>
<u>Additions</u>						
Internal Development	0	0	0	1,023	0	1,023
Purchases	0	376	376	0	754	754
Net Disposals in the year	0	0	0	0	(8)	(8)
Amortisation for the period	0	(1,596)	(1,596)	(116)	(1,467)	(1,583)
Transfer between categories	0	0	0	374	0	374
De Minimis	0	(11)	(11)	0	(37)	(37)
Net carrying amount at the end of the year		2,650	2,650	1,281	1,892	3,173
<u>Comprising:</u>						
Gross carrying amounts	0	13,299	13,299	1,397	13,962	15,359
Accumulated amortisation	0	(10,649)	(10,649)	(116)	(12,070)	(12,186)
	<b>0</b>	<b>2,650</b>	<b>2,650</b>	<b>1,281</b>	<b>1,892</b>	<b>3,173</b>

### 33. 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 2016 £'000	Long Term at 31 March 2017 £'000	Current at 31 March 2016 £'000	Current at 31 March 2017 £'000
Financial Liabilities at amortised cost	55,425	54,817	966	1,022
Total Borrowings	55,425	54,817	966	1,022
Loans and receivables	17,069	30,594	129,710	69,403*
Total Investments	17,069	30,594	129,710	69,403

\*This figure includes £40.4m representing investments with a maturity of less than 1 month. These are classified as cash equivalents.

Additional Financial Instruments held include:

	31 March 16 £'000	31 March 17 £'000
Short Term Debtors	13,164	30,369
Long Term Debtors	1,309	1,148
Short Term Creditors	(26,027)	(29,036)
Cash	(762)	11,100
<b>Total</b>	<b>(12,316)</b>	<b>13,581</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 36, 39 and 42 respectively.

Financial liabilities and financial assets (represented by investments, loans and receivables are carried in the Balance Sheet for the group at amortised cost. The fair values calculated for financial assets and liabilities are as follows:

	Carrying amount 2016 £'000	Fair value 2016 £'000	Carrying amount 2017 £'000	Fair value 2017 £'000
<b>Financial Liabilities</b>				
<i>Borrowings</i>				
Financial Liabilities (PWLB Loans)	47,167	60,183	47,581	65,861
Financial Liabilities (WMCC debt)	8,258	10,700	7,650	10,176
<i>Creditors</i>				
Other financial liabilities	26,789	26,789	29,036	29,036
<b>Financial Assets</b>				
<i>Investments</i>				
Long Term investments	17,069	17,069	30,594	30,814
Short term Investments	129,710	129,710	69,403	69,403
<i>Debtors</i>				
Other receivables	14,473	14,473	42,617	42,617

The fair value hierarchy of financial liabilities that are not measured at fair value is set out below

Recurring fair value measurement using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
<b>Financial Liabilities</b>				
Borrowings:				
Financial Liabilities (PWLB)	0	65,861	0	65,861
Financial Liabilities (WMCC debt)	0	10,176	0	10,176
<b>Total</b>	<b>0</b>	<b>76,037</b>	<b>0</b>	<b>76,037</b>

The fair value for financial liabilities that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Financial Assets	Financial Liabilities
Where an instrument will mature in the next 12 months fair value is taken as carrying value	No early repayment is recognised
The fair value of trade and other receivables is taken as the billed or invoiced amount	Estimated ranges of interest rates at 31 March 2017 of 1.30% to 2.41% for PWLB loans payable based on PWLB new loan rates
	The fair value of trade and other payables is taken to be the billed of invoiced amount

### 34. LONG TERM BORROWING

Transactions undertaken during the year were as shown below:

	31 March 16 £'000	31 March 17 £'000
Opening Balance	(55,978)	(55,425)
External Loans Raised in Year	0	0
Loans Repaid in Year	553	608
<b>Closing Balance</b>	<b>(55,425)</b>	<b>(54,817)</b>

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

	31 March 16 £'000	31 March 17 £'000
Public Works Loan Board	(47,167)	(47,167)
W.M.C.C. Debt	(8,258)	(7,650)
Birmingham City Council	0	0
<b>Total</b>	<b>(55,425)</b>	<b>(54,817)</b>

The fair value of the Public Works Loan Board loans is £65.9m which measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date. However it should be noted that the PCC has the ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. The measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £47.6m would be valued at £65.9m.

The fair value of West Midlands County Council debt has been calculated as £10.2m as at 31 March 2017. The difference in valuation between what is shown in the above table and the fair value of the debt 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 16	31 March 17
	£'000	£'000
PWLB accrued interest	413	414
W.M.C.C principal repayment	553	608
	<b>966</b>	<b>1,022</b>

These borrowings are repayable as follows:

	31 March 16	31 March 17
	£'000	£'000
Maturity within 5 years	7,168	7,506
Maturity within 6 to 10 years	13,436	12,546
Maturity within 11 to 15 years	0	0
Maturity in 15 or more years	35,787	35,787
<b>Total</b>	<b>56,391</b>	<b>55,839</b>

### 35. 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 16	31 March 17
	£'000	£'000
Short Term Investments (Banks, Building Societies, Local Authority)	129,710	69,403*
Long Term Investments	17,069	30,594
<b>Total</b>	<b>146,779</b>	<b>99,997</b>

\*Included with this figure is the amount of £40.4m (£54.5m in 2015-16) representing investments with a maturity of less than 1 month. These are classified as cash equivalents. (See note 39). The fair value of these investments has been calculated as £100.2m as at 31 March 2017; 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.

### 36. 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 (NPAS). The PCCWM will receive payments for the Asset annually until 2024/25; some of these payments have been made in advance.

	31 March 16 £'000	31 March 17 £'000
NPAS	1,309	1,148
<b>Total</b>	<b>1,309</b>	<b>1,148</b>

### 37. 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 2016-17 was to not lend more than £30m to an individual counterparty (with the exception of the Bank of England and part Government owned banks) 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 2017	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2017	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2016	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2017
	£'000	%	%	£'000	£'000
Deposits with Financial Institutions	99,997	0.21	1.00	1,559	1,225

Given that several institutions meeting the minimum credit rating criteria defaulted as recently as 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 32.

### 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 2016	Actual 31 March 2017
	%	%	£'000	£'000
Under 12 months	25	0	966	1,022
12 months and within 24 months	25	0	608	669
24 months and within 5 years	50	0	5,594	5,815
5 years and within 10 years	75	0	13,436	12,546
10 years and above	100	25	35,787	35,787
<b>Total</b>			<b>56,391</b>	<b>55,839</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 2017 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.

### 38. INVENTORIES

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

	Vehicle parts and fuel		Uniforms, Stationery and Reprographics		Total	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01 April	139	136	779	710	918	846
Purchases	350	343	1,123	2,111	1,472	2,454
Recognised as an expense in year	(353)	(296)	(1,193)	(1,971)	(1,546)	(2,267)
<b>Balance as at 31 March</b>	<b>136</b>	<b>183</b>	<b>710</b>	<b>850</b>	<b>846</b>	<b>1,033</b>

### 39. SHORT TERM DEBTORS

	31 March 2016	31 March 2017
	£'000	£'000
Central Government Bodies	31,552	48,820
Other Local Authorities and PCCs	11,464	17,004
NHS Bodies	27	35
Public Corporations and Trading Funds	315	0
Other entities and individuals	5,701	7,805
<b>Total</b>	<b>49,059</b>	<b>73,664</b>

A proportion of short term debtors are recognised as financial instruments. These have been disclosed in note 33.

### 40. CASH AND CASH EQUIVALENTS

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

	31 March 2016	31 March 2017
	£'000	£'000
Cash held by the PCCWM	338	338
Bank Current Accounts	(1,100)	10,762
Short term deposits with financial institutions	54,518	40,351
<b>Total</b>	<b>53,756</b>	<b>51,451</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 33.

#### 41. ASSETS HELD FOR SALE

	Non-Current	
	2015-16	2016-17
	£'000	£'000
Balance outstanding at start of year	0	711
<b>Assets newly qualified as held for sale:</b>		
Property, plant and equipment	711	1,135
Revaluation losses	0	0
Revaluation gains	0	0
<b>Assets declassified as held for sale:</b>		
Property, plant and equipment	0	0
Assets sold	0	(711)
<b>Total</b>	<b>711</b>	<b>1,135</b>

#### 42. SHORT TERM CREDITORS

	31 March 2016	31 March 2017
	£'000	£'000
Central Government Bodies	10,352	10,258
Other Local Authorities and PCCs	10,457	14,585
NHS Bodies	3	114
Public Corporations and Trading Funds	0	0
Other entities and individuals	25,078	25,520
<b>Total</b>	<b>45,890</b>	<b>50,477</b>

A proportion of short term creditor balances are disclosed as financial instruments. These are disclosed in note 33.

#### 43. USABLE RESERVES

Movements in the Group's usable reserves are detailed in the Movement in Reserves Statement and Note 26.

#### 44. UNUSABLE RESERVES

	31 March 2016 £'000	31 March 2017 £'000
Revaluation Reserve	(17,679)	(20,773)
Capital Adjustment Account	(106,275)	(103,400)
Pensions Reserve	5,975,779	7,439,732
Deferred Capital Receipts reserve	(1,309)	(1,148)
Collection Fund Adjustment Account	(2,034)	(1,809)
Accumulated Absences Account	3,255	3,573
<b>Total</b>	<b>5,851,736</b>	<b>7,316,175</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.

	2015-16 £'000	2016-17 £'000
Balance at 1 April	<b>(17,388)</b>	<b>(17,679)</b>
Upward revaluation of assets	(1,064)	(4,697)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	23	59
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(1,041)	(4,638)
Difference between fair value depreciation and historical cost depreciation	564	539
Accumulated gains on assets sold or scrapped	186	1,005
Amount written off to the Capital Adjustment Account	750	1,544
Balance as at 31 March	<b>(17,679)</b>	<b>(20,773)</b>

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

	2015-16 £'000	2016-17 £'000
Balance at 1 April	(73,584)	(106,275)
<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	7,203	8,298
Revaluation losses on Property, Plant and Equipment	351	16,307
Amortisation of intangible assets	1,596	1,583
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	167	1,122
	9,317	27,310
<b>Adjusting amounts written out</b>	483	342
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	9,800	27,652
<i>Capital financing applied in year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(9,048)	(2,083)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(7,514)	(6,264)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,364)	(18)
Statutory provision for the financing of capital investment charged against the General Fund balance	(1,477)	(1,418)
Voluntary Provision for the repayment of debt	(503)	(553)
Capital expenditure charged against the General Fund balance	(21,585)	(14,441)
Balance as at 31 March	(106,275)	(103,400)

## 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 2016 £'000	31 March 2017 £'000
Balance at 1 April	6,930,474	5,975,779
Re-measurements of the net defined benefit liability or asset	(1,151,123)	1,308,658
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	293,782	232,721
Employers' pensions contributions and direct payments to pensioners payable in the year	(97,354)	(77,426)
<b>Balance as at 31 March</b>	<b>5,975,779</b>	<b>7,439,732</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 2016 £'000	31 March 2017 £'000
<b>Balance at 1 April</b>	<b>(1,341)</b>	<b>(2,034)</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	(692)	225
<b>Balance at 31 March</b>	<b>(2,034)</b>	<b>(1,809)</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.

	2015-16 £'000	2016-17 £'000
<b>Balance at 1 April</b>	<b>3,225</b>	<b>3,255</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	3,225	3,255
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	30	319
<b>Balance at 31 March</b>	<b>3,255</b>	<b>3,573</b>

## NOTES TO THE CASH FLOW STATEMENT

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

	Year ended 31 March 16 £'000	Year ended 31 March 17 £'000
Decrease/ (Increase) in cash	8,721	2,305
Cash outflow from increase in liquid resources	(42,671)	32,616
Financing	553	(608)
<b>Change in net debt resulting from cashflows</b>		
Net Debt as at 1 April 2015	147,573	90,592
Net Debt as at 31 March 2016	90,592	56,279

### 46. MOVEMENT IN CASH AND CASH EQUIVALENTS

	Balance at 31 March 16 £'000	Movement in the Year £'000	Balance at 31 March 17 £'000
Cash held by the PCC	338	0	338
Bank Current Accounts	(1,100)	11,862	10,762
Short term deposits with financial institutions	54,518	(14,167)	40,351
	<b>53,756</b>	<b>(2,305)</b>	<b>51,451</b>

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

## JOINT OPERATIONS

### 47. 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 2016-17 are as follows:

2015-16 £'000s		2016-17 £'000s
	<b>Funding provided to the pooled budget</b>	
(3,987)	Contribution from West Midlands Police	(4,136)
(1,991)	Contribution from West Mercia Police	(1,739)
(1,875)	Contribution from Staffordshire Police	(1,839)
<b>(7,853)</b>	<b>Total funding provided to the pooled Budget</b>	<b>(7,714)</b>
	<b>Expenditure met from the pooled budget</b>	
7,057	Pay and allowances	7,049
68	Premises costs	68
539	Transport costs	429
196	Supplies and Services	168
<b>7,860</b>	<b>Total expenditure</b>	<b>7,714</b>
	<b>Income received to the Pooled budget</b>	
0	Miscellaneous Income	0
(7)	External funding	(3)
<b>(7)</b>	<b>Total income received</b>	<b>(3)</b>
<b>7,853</b>	<b>Total Net Expenditure</b>	<b>7,711</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.

#### 48. 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 are as follows:

2015/16 £'000s		2016/17 £000's
	<b>Funding provided to WMROCU</b>	
(1,429)	Contribution from West Midlands Police	(4,858)
(691)	Contribution from West Mercia Police	(1,426)
(361)	Contribution from Staffordshire Police	(1,587)
(261)	Contribution from Warwickshire Police	(733)
(1,745)	WMROCU Grant	(2,413)
(306)	National Cyber Security Programme funding	(358)
(166)	Regional Asset Recovery Team grant	(168)
(669)	Additional Home Office funding (grant provided mid-year in 2015-16)	0
<b>(5,628)</b>	<b>Total funding</b>	<b>(11,543)</b>
	<b>WMROCU expenditure</b>	
1,083	Regional Asset Recovery Team (RART)	997
166	RART – ACE team	168
725	Regional Cyber Crime Unit	789
240	Regional Fraud Team	196
950	Regional Intelligence Unit	784
949	Regional Prisons Intelligence Unit	879
822	UKPPS (protected Persons)	893
185	Project Management	82
74	Project Management (Phase 2)	0
48	Operational Security	76
0	Regional Government Agency Intelligence Network	49
201	Command Team	948
185	Regional Confidential Unit	3,984
0	TIDU – Technical Intelligence	741
0	Other Regional Operations	957
<b>5,628</b>	<b>Total expenditure</b>	<b>11,543</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.

2015-16 £'000	Police Pension Fund Account	2016-17 £'000	£'000
	<b>Fund Account</b>		
	Contributions receivable:		
	From employer:		
(50,698)	Normal	(49,784)	
(2,770)	Early retirements	(3,116)	
0	30+ contributions	0	
(53,468)		(52,900)	
(32,733)	From members	(31,861)	
(32,733)		(31,861)	
(1,296)	Transfers in	(584)	
(1,296)		(584)	
<b>(87,497)</b>	<b>Total income into the Pension Fund</b>		<b>(85,345)</b>
	Benefits payable:		
136,728	Pensions	140,419	
28,435	Lump sums	39,931	
441	Lump sum death benefits	250	
0	30+ benefits payable	0	
155	Benefits payable to other regional forces re earlier reorganisations	103	
165,759		180,703	
	Payments to and on account of leavers:		
4	Refunds of contributions	47	
2,298	Individual transfers out to other schemes	316	
1	Other	6	
2,303		369	
<b>168,062</b>	<b>Total payments from the pension fund</b>		<b>181,072</b>
<b>80,564</b>	<b>Net amount payable for the year</b>		<b>95,727</b>
(6,903)	2.9% employer contributions met by the Police and Crime Commissioner		(6,778)
(73,661)	Additional contribution received from the Police and Crime Commissioner		(88,949)
<b>0</b>			<b>0</b>

## Net Assets Statement

Net current assets and liabilities	2015-16	2016-17
	£'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 39 of this Statement of Accounts.
2. The police pension fund is administered by the Chief Constable.
3. All benefits payable during 2016-17 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2017 are not included. These liabilities are recognised within the Comprehensive Income and Expenditure Statement and Note 26 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 2016-17 the contribution rates were as follows :-
  6.
    - Employers Contribution – 21.3% for the 1987, 2006 and 2015 Police pension schemes

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

    - Employee Contribution – 11% for 2006 police pension scheme
    - Employee Contribution - 12.44% for 2015 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 police pension scheme
    - Employee Contribution – 13.44% for 2015 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 police pension scheme
    - Employee Contribution – 13.78% for 2015 police pension scheme

## Appendix: Restatement of the Comprehensive Income and Expenditure Statement

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the United Kingdom. The 2016-17 Code requires that authorities present expenditure and income on services on the basis of reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SeRCoP) using Police Objective Analysis (POA). This appendix shows how the net expenditure and income has been restated.

Gross Expenditure	CIES 2015/16	Apportioned costs	POA categories	Non-Distributed costs	Corporate & Democratic Core	Levies & Secondments	As restated
Local Policing	251,801	(51,227)	(200,574)				0
Dealing with the Public	44,640	(9,082)	(35,558)				0
Criminal Justice Arrangements	38,981	(7,930)	(31,051)				0
Roads Policing	20,200	(4,110)	(16,090)				0
Specialist Operations	34,387	(6,996)	(27,391)				0
Intelligence	41,797	(8,503)	(33,294)				0
Investigation	133,511	(27,162)	(106,349)				0
Investigative Support	13,891	(2,826)	(11,065)				0
National Policing	46,110	(9,381)	(36,729)				0
Non Distributed Costs	1,520			(1,520)			0
Corporate and Democratic Core	5,849				(5,849)		0
Levies to National Police Service	4,746					(4,746)	0
Seconded Officers	1,875					(1,875)	0
<b>NET COST - GENERAL FUND SERVICES</b>	639,309						639,309
<b>Chief Constable</b>		118,124	488,885	1,127	0	6,621	614,757
<b>WMP2020 Projects</b>		8,813	2,689				11,502
<b>Police and Crime Commissioner</b>							
Office of the PCC		280		393	1,889		2,562
Commissioned Services			6,528		3,960		10,488

Gross Income	CIES 2015/16	Apportioned costs	POA categories	Non-Distributed costs	Corporate & Democratic Core	Levies & Secondments	As restated
Local Policing	(2,628)	185	2,443				0
Dealing with the Public	0						0
Criminal Justice Arrangements	(3,525)	248	3,277				0
Roads Policing	(4,993)	352	4,641				0
Specialist Operations	(6,143)	432	5,711				0
Intelligence	(2,187)	154	2,033				0
Investigation	(3,533)	249	3,284				0
Investigative Support	(34)	2	32				0
National Policing	(35,114)	2,472	32,642				0
Non Distributed Costs	0						0
Corporate and Democratic Core	(3,084)				3,084		0
Levies to National Police Service	0						0
Seconded Officers	(1,875)					1,875	0
<b>NET COST - GENERAL FUND SERVICES</b>	(63,116)						(63,116)
<b>Chief Constable</b>		(4,195)	(53,319)		0	(1,875)	(59,389)
<b>WMP2020 Projects</b>		101	(744)				(643)
<b>Police and Crime Commissioner</b>							0
Office of the PCC							0
Commissioned Services					(3,084)		(3,084)

Net Income & Expenditure	CIES 2015/16	Apportioned costs	POA categories	Non-Distributed costs	Corporate & Democratic Core	Levies & Secondments	As restated
Local Policing	249,173	(51,042)	(198,131)				0
Dealing with the Public	44,640	(9,082)	(35,558)				0
Criminal Justice Arrangements	35,456	(7,682)	(27,774)				0
Roads Policing	15,207	(3,758)	(11,449)				0
Specialist Operations	28,244	(6,564)	(21,680)				0
Intelligence	39,610	(8,349)	(31,261)				0
Investigation	129,978	(26,913)	(103,065)				0
Investigative Support	13,857	(2,824)	(11,033)				0
National Policing	10,996	(6,909)	(4,087)				0
Non Distributed Costs	1,520			(1,520)			0
Corporate and Democratic Core	2,765				(2,765)		0
Levies to National Police Service	4,746					(4,746)	0
Seconded Officers							0
<b>NET COST - GENERAL FUND SERVICES</b>	576,193						576,193
<b>Chief Constable</b>		113,929	435,566	1,127		4,746	555,368
<b>WMP2020 Projects</b>		8,914	1,945				10,859
<b>Police and Crime Commissioner</b>							
Office of the PCC		280		393	1,889		2,562
Commissioned Services			6,528		876		7,404

## 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