



Chief Constable of West Midlands Police: Statement of Accounts

2017-18



STATEMENT OF ACCOUNTS 2017-18

Contents

	Page
Narrative Report	3
Annual Governance Statement	11
Statement of Responsibilities for the Statement of Accounts	17
Independent Auditor's Report on the accounting statements and notes to the accounts	19
Comprehensive Income and Expenditure Statement for the Chief Constable	22
Movement in Reserves Statement for the Chief Constable	23
Balance Sheet for the Chief Constable	24
Cash Flow Statement for the Chief Constable	25
Notes to the accounts - general	26
Notes to the Comprehensive Income and Expenditure Statement for the Chief Constable	33
Notes to the Balance Sheet for the Chief Constable	41
Joint Operations	53
Police Pension Fund Account	55
Glossary of Terms	57



NARRATIVE REPORT

About The West Midlands and West Midlands Police

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

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

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

The 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.

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 (PCC) 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 or can be obtained by contacting us, details at www.west-midlands.police.uk/contact-us/index.aspx This statement explains how the Chief Constable has complied with the code and also meets the requirements of Accounts and Audit Regulations 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

The Statement of Accounts

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

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

The Statement of Accounts for the CCWMP consists of:

1. Chief Constable's Approval of the accounts

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

2. Annual Governance Statement

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

3. Statement of responsibilities for the Statement of Accounts

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

4. Auditors report

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



5. The Statement of Accounts

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

- **Comprehensive Income and Expenditure Statement for the Chief Constable of West Midlands Police** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. It summarises the resources that have been generated and consumed in providing policing services during the year. The statement has been prepared in accordance with the accounting principles set out in the CIPFA Code of Practice on Local Authority Accounting and highlights the financial consequences of policing activities in the West Midlands in 2017-18 under the direction and control of the Chief Constable.
- **Movement in Reserves Statement for the Chief Constable of West Midlands Police** – This statement shows the movement in the year on the reserves held by the Chief Constable.
- **Balance Sheet as at 31 March 2018**

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

- **Cash Flow Statement as at 31 March 2018**

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

Notes to the account include:

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

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

- **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

CHIEF CONSTABLE REVENUE OUTTURN 2017-18

The revenue outturn is based on the budget which is produced in setting council tax, but the accounts are prepared on the basis of a set of statutory regulations which permit some transactions to be either included or excluded so that they do not impact on the value of council tax that the Group is permitted to raise. Given



the changes in Governance arrangements brought about by the creation of two separate entities of the PCCWM and the CCWMP the budget setting view focuses mainly on the group position.

Pay related expenditure

The Pay award giving a 1% pay rise with a 1% lump sum to Police Officers and Police staff has increased employee costs year on year.

Premises related expenditure

The annual payment for the Government CRC Energy Efficiency Scheme was made using credits purchased in advance for 2016-17, however all credits were purchased in year for 2017-18.

Supplies and Services Expenditure

Small savings were made throughout multiple areas of Supplies and Services as a result of continuing efficiencies being encouraged wherever possible.

Agency Expenditure

Agency expenses sees an increase in Collaboration Officer Salary Costs due to increasing the capability in the Regional Organised Crime Unit function across the Region. This is mainly offset by additional External income from other Police forces within ROCU.

Capital Financing

.Less interest was generated on investments as any longer term investments with higher interest returns have already matured and current rates are still low. Also there was some revenue support towards purchase of Capital equipment.

External Income

In addition to the Collaboration income from Other Forces, secondment income has increased and there was income recognised for vehicles which were replaced or released from operation in the year.

2016-17 Restated £'000		2017-18 £'000
	Financial Resources of the PCCWM consumed at the request of the Chief Constable	
470,507	Employee Costs	480,865
16,486	Premises Related Costs	16,816
6,508	Transport/Travel Costs	6,787
38,266	Supplies and Services	37,659
11,726	Agency Expenses	18,058
3,514	Capital Financing	4,140
(36,048)	Income	(43,997)
510,959	Police Force (Excl. WMP2020 project costs)	520,328
15,756	WMP2020 Project Costs	13,077
526,715	Police Force (Incl. WMP2020 project costs)	533,405

The 2016-17 figures have been restated following a rebuild of the Chart of Accounts used by the Group. To report more in line with CIPFA reporting categorisation, some items of subjective spend have moved categories, however the total Net outturn remains the same.



HOW WEST MIDLANDS POLICE HAS PERFORMED IN 2017-18

The table below shows some key crime statistics for West Midlands Police for the year ended 31 March 2018 compared to the same time in the previous year.

	2016-17	2017-18	% change
Total recorded Crime	206,211	233,345	13
Business Crime	42,833	48,442	13
Burglary	24,767	28,061	13
Robbery	5,887	7,457	27

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 crimes such as burglary and in some higher-harm violent offences, including homicide, gun crime and knife crime.

Whilst total recorded crime is higher in 2017/18 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 Fire and Rescue Services (HMICFRS) into police forces in England and Wales examining their efficiency, effectiveness and legitimacy.

HMICFRS tested how efficient the force was at keeping people safe and reducing crime and have deemed the force to be good in this area. They found that the force continues to have a good understanding of prioritisation and costs, taking into account the public's changing expectations and national trends such as the increased threat of firearms. They also commented on the strong record the force has of reducing costs while improving the quality of its services.

There was recognition of the system used to determine where best to invest and to ensure that benefits are realised along with the strong commitment the Force has made to joint working with a range of public and private sector agencies to provide better services to the public.

In respect of how effective the force is at keeping people safe and reducing crime, HMICFRS found that many of the services provided by the force to vulnerable people are good including the force's ability to identify vulnerable people at the first point of contact. There was some concern however that the numbers of open logs and numbers of officers available to respond to incidents caused some delays resulting in the force being given an overall grading of requires improvement. Following the inspection the force took immediate steps to ensure that learning was implemented including a review of ways of working, the development of new doctrine, the reintroduction of scheduled appointments and the introduction of a resolution team on a pilot basis to help manage and prioritise all areas of demand including vulnerability. This has resulted in a reduced number of open logs and more effective prioritisation of vulnerability.

HMICFRS tested the legitimacy of the force at keeping people safe and reducing crime. It recognised the force as good at treating those it serves with fairness and respect and commented on the Fairness in Policing project as being both forward-thinking and innovative. It found, however, that improvement was required in the scrutiny applied to some areas—ensuring that the workforce behaves both ethically and lawfully, and the extent to which the force treats its workforce with fairness and respect—which led to an overall grading of requires improvement. Therefore, following the inspection the Force implemented a number of new initiatives such as a new process for recording use of force and scrutiny aligned to existing scrutiny panels, an increased



diversity & inclusion team, and the development of new policies and revision of existing policy to ensure that learning highlighted in the inspection has been implemented.

MATERIAL ASSETS ACQUIRED, LIABILITIES INCURRED AND FINANCING OF CAPITAL EXPENDITURE

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

The Chief Constable is charged for the revenue costs of buildings, transport and equipment as the consumption of these assets are deemed to be under his direction and control.

PROVISIONS AND CONTINGENT LIABILITIES

A provision has been made at the end of 2017-18 for the pay award for Police Staff dating from 1 September 2017. At the Balance sheet date this award was still being balloted by employment unions. It was decided to make a provision for the back dated payment due at the level being offered at the Balance sheet date of 1% across all pay scales with a non-consolidated 1% lump sum also paid for the year.

The Chief Constable of West Midlands Police, along with other Chief Constables and the Home Office, currently has 737 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 and in 2016-17 these claims were heard in the Employment Tribunal.

In 2017-18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

The Chief Constable of West Midlands Police along with other Chief Constables had claims lodged against them in the Courts predominately in the Mayor's and City of London County Court. The number of claims against the Chief Constable of West Midlands Police is 35 and are in respect of breaches of the Police Regulations 2003 in particular, failure to pay overtime, compensatory leave and other on call allowances to CHIS (Covert Human Intelligence Source) handlers. The cases against all Forces have been stayed pending agreement on lead cases, which are due to be determined at a further hearing in August 2018. These claims are expected to have a financial impact on West Midlands Police, but the level of such impact is unclear at this stage, as the investigation into the likely value of compensation to the Claimants is still ongoing.

The Hillsborough inquiry is ongoing and 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

Pension liabilities in respect of Police Officers and police staff whose costs have been recognised in the Chief Constable's Comprehensive Income and Expenditure Statement have been recognised in the Balance Sheet of the Chief Constable. As at 31 March 2018 the Chief Constable recognised net pension liabilities of £7,641m. Overall statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The actuarial gain on pension funds in 2017-18 totalled £8.1m and compared to actuarial losses in 2016-17 of £1,407.4m. As a result the increase in the liability of £204m is due principally to current service and interest costs in the year being greater than benefits paid in the year. The comparatively minor actuarial movements were due to a reduction in the discount rates by 0.1% which increases the liability for active members of the scheme being offset by reductions in the rate of increase of salaries and the rate of CPI inflation by 0.05%. It should be noted that actuarial gains and losses do change each year as can be seen from the defined benefit pension scheme notes starting on page 42 of the Statement of Accounts.

CHANGES TO ACCOUNTING POLICIES

There have been no changes to Accounting Policies which affect the Chief Constable's Statement of Accounts in 2017-18.

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 Police Funding Settlement for 2018-19 has allowed PCCs to increase Council Tax by £12 for a Band D property. 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 we are undertaking and how we want to engage more with the public and want to revolutionise our online channels to help the public are our active citizens' project and our mobility project.

Active Citizens:



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

Part of this work includes:

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

Digital Revolution:

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 includes the latest assumptions around resource levels and include the financial commitments resulting from the Commissioner's Police and Crime Plan that is being launched in 2016.

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

EVENTS AFTER THE REPORTING PERIOD

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



West Midlands Police Annual Governance Statement

Position as at 31st March 2018 including plans for the financial year 2018/19.

1. Scope of Responsibilities

The Chief Constable is responsible for ensuring the 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 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 our website at www.west-midlands.police.uk or can be obtained by contacting us, details at www.west-midlands.police.uk/contact-us/index.aspx. This statement explains how the Chief Constable has complied with the code and also meets the requirements of 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 Chief Constable directs and controls activities through which it accounts and engages with the community. It enables the Chief Constable to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.

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

The governance framework has been in place for the Chief Constable for the year ended 31st March 2018 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

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

It therefore follows that the Commissioner must satisfy himself that the Force has appropriate mechanisms in place for the maintenance of good governance. For these to operate in practice, the Commissioner and the Chief Constable, as separate corporations 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 Chief Constable has adopted a number of systems and processes which together with the working relationships with the Commissioner comprise the Chief Constable's governance arrangements, the key elements of which are detailed below:

- The Chief Constable's Vision and Values have been reviewed and reset and the WMP2020 transformational programme incorporates key themes and foundations as to how the Force will deliver its objectives with communities and partners.
- The West Midlands Police and Crime Plan 2016 – 2020 identifies and communicates plans and intended outcomes for citizens and service users.
- The West Midlands Police Force Ambition Plan 2018 - 2020.
- The ongoing implementation of a revised governance framework that will ensure the Force continues to operate effectively.
- Measuring the quality of service, to ensure they are delivered in accordance with the Chief Constable's objectives and represent the best use of resources and value for money.
- Procedure rules, policies and internal management processes are established for Financial Management, Procurement, Health and Safety, Confidential Reporting ("Whistleblowing"), Complaints Handling, Anti-Fraud, Bribery and Corruption, Business Interests, Gifts and Hospitality and Information Security, Information Sharing and Data Protection.
- The Code of Ethics outlines principles and standards of behaviour that sets and defines exemplary standards expected of everyone who works in policing.
- The Standards of Professional Behaviour reflects the expectations that the police service and the public have of how police staff should behave.
- The Joint Scheme of Corporate Governance sets out in detail the respective roles and functions of the Commissioner and Chief Constable, outlining all significant decisions which are consented or delegated and which are of a statutory, financial or management nature.
- A Joint Audit Committee (with the PCC) 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 the 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 is also a member of the Joint Audit Committee.
- The Force has an Organisational Risk Management Policy and Risk Register, prepared and reviewed by senior management. The Joint Audit Committee is responsible for independent assurance on the adequacy of the risk management framework.
- All major change and transformation programmes and projects have their own project boards which includes addressing risk management and mitigation.
- Ensuring the Chief Constable's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable (2014) and, where they do not, explain why and how they deliver the same impact.
- Ensuring the Chief Constable's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why they deliver the same impact.
- An External Audit function reports to "those charged with governance" in respect of the Annual Accounts.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Identifying the development needs of senior officers in relation to their strategic roles, supported by appropriate training.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Complying with requirements in relation to transparency and Freedom of Information.



- Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Chief Constable's overall governance arrangements.
- The Chief Constable provides information to External Audit to enable them to provide assurance.
- The Chief Constable also ensures External Audits recommendations are implemented.

4. Review of Effectiveness

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

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

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

- **The Force**

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

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

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

The Chief Constable has continued with significant organisational changes during 2017/18 that have been necessary to release further savings required to meet the reduced funding allocations. Throughout these changes the framework of controls has been maintained and they will continue to be reviewed as part of the on-going change process of the force.

- **The Joint Audit Committee**

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

- Advise the Commissioner and the Chief Constable according to good governance principles;
- Provide independent assurance on the adequacy and effectiveness of the Commissioner's and Chief Constable's internal control environment and risk management framework;
- Oversee the effectiveness of the framework in place for ensuring compliance with statutory requirements;
- 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.
- Ensure the Force is implementing agreed actions resulting from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspections.



- **Internal Audit**

The system of Internal Audit is a primary tenet of corporate governance and is the responsibility of the Commissioner. The provision and maintenance of an effective shared Internal Audit service for the PCC and CC has been delegated to the PCC's Chief Finance Officer. The Audit Committee oversees the provision of this service, reviewing associated plans and work outputs. The standards of Internal Audit are assessed against the Public Sector Internal Audit Standards (PSIAS) and an external assessment of Internal Audit against the PSIAS standards was undertaken in 2017/18. The results of the assessment were positive and service is currently implementing the recommendations from the review.

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 Chief Constable to have increased confidence in governance, risk management and control processes.

5. 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.

During 2017/18 the Commissioner has continued with the governance and scrutiny arrangements for holding the Chief Constable to account, this is through the Strategic Policing and Crime Board and other methods. These arrangements will be kept under review to ensure it continues to provide effective scrutiny and challenge for the Force.

Internal Audit have completed a number of pieces of assurance work in relation to operation of the new financial systems that were implemented in July 2017. The Force have developed a series of action plans to improve the operation of the systems. This includes ensuring the benefits of the systems are maximised.

Work will also continue into 2018/19 to ensure the scheme of governance is effective. This will include making sure the scheme provides the required levels of transparency for both the Commissioner and the Chief Constable. This relates to the operational and financial control of the two corporations, the decision making processes and compliance with the necessary publication requirements of this governance structure to meet the provisions of the Statutory Information Order. In addition, the Chief Constable will undertake activities to deliver against the Police and Crime Plan.

During 2017/18 the Force has successfully met the challenges of:

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

In 2018/19 the Force will continue to deliver against the Chief Constable's vision for the Force and further progress the implementation of the WMP2020 programme with Accenture the Innovation and Integration Partner (IIP) who was appointed in July 2014. The partnership will design and deliver a programme of change for the Force that will address financial and service delivery challenges over the medium term. This will be delivered through a revised Target Operating Model (TOM) that has been agreed with the Commissioner.



The new governance framework of the Force has continued to be embedded during 2017/18. Operating alongside this is the WMP2020 programme that has its own governance arrangements to enable the programme to be delivered effectively. This includes performance and financial monitoring covering the Force and the IIP. These governance structures will continue to operate during 2018/19.

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

The Chief Constable is sighted on any significant issues arising from the work of Internal Audit and will ensure actions are undertaken to address the issues.

The Commissioner's office and the Force have put in place project plans and implemented actions to ensure there is compliance with the General Data Protection Regulations introduced in May 2018.

The introduction of Force Management Statements that may impact on how the Force operates.

6. Governance Review and New Framework

The new governance framework will continue to be implemented to reflect the changes in the Force structure as per the WMP2020 programme.

This has resulted in the evolution of nine thematic boards aligned to the Police and Crime plan and the Force Ambition Plan. The role of the thematic boards are to set clear direction for the Force around delivering the Ambition Plan. The boards are forward thinking and understand the organisation's capability and capacity to deliver. The thematic boards set clear direction with a set of plans which inform Commanders and Heads of Department "what" they need to achieve.

There are also seven Portfolio boards which act as the Senior Leadership Team for the Executive Team members and their Commanders / Heads of Department. At this forum, local plans will be scrutinised and how performance is managed. Through developing their local plans the Commanders and Heads of Department clearly state "how" they intend to deliver the "what" in alignment with the Ambition Plan.

Where there is a requirement to deconflict activities there are a number of Tasking and Coordinating forums, which can be accessed by all boards, chaired by the Force Executive.

The arrangements of the new governance framework will continue to be implemented and embedded during 2018/19.

7 Monitoring Implementation

The systems the Chief Constable has in place to monitor the implementation of the Police and Crime Plan through the Ambition 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.

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

The Commissioner's Annual Governance Statement of the 31st March 2017 included the continued implementation of the WMP2020 programme to ensure the Force operates efficiently and effectively within limited resources. The implementation of Force systems as part of the change programme has continued during 2017/18.

During 2017/18 the Commissioner's board and Joint Audit Committee received reports on the security of systems and the improvements that have been made. Both the board and JAC felt assured by the updates



provided. Further improvements will be made through the continued investment in the change programme during 2018/19. In addition, further assurance work will be completed in 2018/19.

Signed

Dave Thompson
Chief Constable of West Midlands Police

Neil Chamberlain.
Director of Commercial Services West Midlands Police



STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER TO THE CHIEF CONSTABLE

The Chief Finance Officer is responsible for the preparation of the Chief Constable of West Midlands Police Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to give a true and fair view of the financial position of the Force at the accounting date and its income and expenditure for the year ended 31 March 2018.

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

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

The Chief Finance Officer has also:

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

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

In accordance with regulation 9 of the Account and Audit Regulations 2015, I certify that the Statement of Accounts presents a true and fair view of the financial position of the Chief Constable of West Midlands Police as at 31 March 2018 and his income and expenditure for the year then ended.

N Chamberlain CPFA
Chief Finance Officer to the Chief Constable of West Midlands Police
Date:



THE RESPONSIBILITIES OF THE CHIEF CONSTABLE OF WEST MIDLANDS POLICE

The Chief Constable of West Midlands Police is required:

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

CHIEF CONSTABLE OF WEST MIDLANDS POLICE CERTIFICATE

I certify that the Statement of Accounts have been certified by the responsible financial officer and approved by the Chief Constable of West Midlands Police on xx 2018, in accordance with regulation 9 of the Accounts and Audit Regulations 2015.

Dave Thompson
Chief Constable of West Midlands Police
Date:



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







COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE CHIEF CONSTABLE 2017-18

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

2016-17 Gross Exp £'000	2016-17 Gross Income £'000	2016-17 Net Exp £'000	Note	2017-18 Gross Exp £'000	2017-18 Gross Income £'000	2017-18 Net Exp £'000
646,785	(78,400)	568,385	Financial Resources consumed	707,546	(87,358)	620,188
17,894	(2,135)	15,759	WMP 2020 Projects	13,298	(221)	13,077
664,679	(80,535)	584,144	Total Financial Resources consumed	720,844	(87,579)	633,265
0	(545,619)	(545,619)	PCC Funding for Financial Resources Consumed	0	(546,136)	(546,136)
664,679	(626,154)	38,525	NET COST - POLICING SERVICES	720,844	(633,715)	87,129
211,381	0	211,381	Net Pension Interest Cost	197,257	0	197,257
0	(88,949)	(88,949)	Pensions Top Up Grant receivable from the PCC	0	(90,191)	(90,191)
211,381	(88,949)	122,432	Financing and Investment Income and Expenditure	197,257	(90,191)	107,066
876,060	(715,103)	160,957	(Surplus) or Deficit on Provision of Services	918,101	(723,906)	194,195
		1,308,952	Re-measurements of the net defined benefit liability			8,887
		1,308,952	OTHER COMPREHENSIVE INCOME AND EXPENDITURE			8,887
		1,469,909	Total comprehensive Income and Expenditure			203,082

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

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



MOVEMENT IN RESERVES STATEMENT FOR THE CHIEF CONSTABLE 2017-18

This statement shows the movement in the 2016-17 and 2017-18 financial years on the different reserves held by the Chief Constable. This is analysed into usable reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. At present, the only transactions shown in this statement relate to the pensions reserve and the accumulated absences account reflecting movements relating to police officers and staff under the direction and control of the Chief Constable. All other reserves are managed by the PCC. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement.

	General Fund Balance	Pensions Reserve	Accumulated Absences Account	Total Reserves
	£'000	£'000	£'000	£'000
Balance as at 01 April 2016	(5,556)	5,973,641	3,255	5,971,339
Total Comprehensive Income and Expenditure	160,957	1,308,952	0	1,469,909
Actual Amounts charged against the pensions fund for the year	77,999	(77,999)	0	0
Difference in pension costs between accounting basis and funding basis	(233,081)	233,081	0	0
Difference in employee remuneration costs (between accounting and funding basis)	(319)	0	319	0
Adjustments between accounting basis and funding basis under regulations	(155,401)	155,082	319	0
Net increase or (decrease)	5,556	1,464,034	319	1,469,909
Balance as at 31 March 2017	0	7,437,675	3,573	7,441,248
Balance as at 01 April 2017	0	7,437,675	3,573	7,441,248
Total Comprehensive Income and Expenditure	194,195	8,887	0	203,083
Actual Amounts charged against the pensions fund for the year	75,901	(75,901)	0	0
Difference in pension costs between accounting basis and funding basis	(275,846)	275,846	0	0
Difference in employee remuneration costs (between accounting and funding basis)	(206)	0	206	0
Adjustments between accounting basis and funding basis under regulations	(200,150)	199,945	206	0
Net increase or (decrease)	(5,955)	208,832	206	203,083
Balance as at 31 March 2018	(5,955)	7,646,507	3,779	7,644,331



BALANCE SHEET FOR THE CHIEF CONSTABLE 2017-18

The Balance Sheet for the Chief Constable of West Midlands Police shows the value as at 31 March 2018 (the Balance Sheet date) of the assets and liabilities recognised by the CCWMP. The assets and liabilities recognised relate to the Police Officers and Police Staff under the direction and control of the Chief Constable. The net liabilities of the CCWMP are met by the reserves held by the entity.

	As at 31 March 2017	As at 31 March 2018	Notes
	£'000	£'000	
Long Term Assets	0	0	
Total Long term Assets	<u>0</u>	<u>0</u>	
Current Assets	0	0	
Total Current Assets	<u>0</u>	<u>0</u>	
Current Liabilities			
Short Term Creditors	(3,573)	(3,779)	16
Total Current Liabilities	<u>(3,573)</u>	<u>(3,779)</u>	
Long term Liabilities			
Liability relating to defined benefit pension scheme	(7,437,675)	(7,640,552)	17
Total Long term Liabilities	<u>(7,437,675)</u>	<u>(7,640,552)</u>	
Net Assets/(Liabilities)	<u>(7,441,248)</u>	<u>(7,644,331)</u>	
Reserves			
Usable Reserves		(5,955)	
Unusable Reserves	7,441,248	7,650,286	17
Total reserves	<u>7,441,248</u>	<u>7,644,331</u>	

The unusable reserves consist of a reserve for short term compensated absences of £3.8m and pension reserves of 7,646.5m.



CASH FLOW STATEMENT FOR THE CHIEF CONSTABLE 2017-18

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

As at 31 March 2017		Notes	As at 31 March 2017	
£'000	£'000		£'000	£'000
	160,957	Net deficit on the provision of services		194,195
		Adjust the net deficit on provision of services for non-cash movements		
(160,638)		Pensions Movements	(193,989)	
0		Increase/(decrease) in debtors	0	
(319)		(Increase)/decrease in creditors	(206)	
	0	Net cash flows from operating activities		0
	0	Cash and cash equivalents		0



NOTES TO THE ACCOUNTS

PAGE

1. Statement of Accounting Policies	27
2. Accounting standards that have been issued but have not yet been adopted	31
3. Critical judgements in applying accounting policies	31
4. Major Sources of Estimation Uncertainty	32
5. Events after the Balance Sheet date	32

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE CHIEF CONSTABLE

6. Expenditure and Funding Analysis	33
7. Note to the Expenditure and Funding Analysis	33
8. Subjective analysis of the net cost of Police services	34
9. Employee remuneration	35
10. Senior officers remuneration	36
11. Termination benefits	38
12. External Audit costs	38
13. Grant Income	39
14. Related party transactions	39
15. Agency Expenditure	40

NOTES TO THE BALANCE SHEET FOR THE CHIEF CONSTABLE

16. Unusable Reserves	41
17. Defined benefit pension schemes	42
18. Discretionary pension benefits	52
19. Contingent Liabilities and Assets	52

JOINT OPERATIONS

20. Joint operations – (a) Central Motorway Police Group	53
- (b) West Midlands Regional Organised Crime Unit	54

POLICE PENSION FUND ACCOUNT

55

NOTES TO THE POLICE PENSION FUND ACCOUNT

56

GLOSSARY OF TERMS

57



NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Force's transactions for the 2017-18 financial year and its position at the year end of 31 March 2017. The Chief Constable is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015. The regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and supported by International Financial reporting Standards. Guidance notes issued by CIPFA on the application of accounting standards to local authorities have in general been followed, and any exceptions to this are disclosed below. The policies below reflect the powers and responsibilities of the Chief Constable of West Midlands Police as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012.

a. Operating Costs

Costs are recognised within the Chief Constable's accounts to reflect the resources consumed by activities under his direction and control.

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

b. Treatment of Grants

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

c. Employee Benefits

Benefits payable during employment

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

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



of short term compensated absences will be recognised in the accounts of the Chief Constable as the vast majority of staffing costs are recognised in the Chief Constable's accounts and any charge to the PCC would not be material.

Termination Benefits

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

Post employment benefits

The Police Pensions Scheme is unfunded and therefore net pension payments are charged against the year in which they are made, rather than being provided for by means of a pension fund. All receipts and payments relating to the 1987, 2006 and 2015 Police Pensions Regulations are generally receivable into and payable out of the pensions fund and specific provision is made for officers' contributions and inward transfer values to be paid into the fund and for awards payable and outward transfer values to be paid out of the fund. Transfers into and out of the fund are recognised as income to (or expenditure from) the Police Pension fund account in the year in which the transfer occurs.

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

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

- a. The rate of contribution in 2017-18 was 16.7%.
- b. The liabilities of the scheme attributable to the Chief Constable are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- c. Liabilities are discounted to their value at current prices, using an appropriate discount rate set by the Actuary (usually 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. Unlisted securities – current bid price
 - iv. Property – market value
- e. The change in the net pensions liability is analysed into the following components:
 - i. *Current service cost* – the increase in liabilities as a result to years of service earned this year
 - ii. *Past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – this is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs



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

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

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

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

d. Value Added Tax

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

e. Events after the end of the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of the reporting period – these are known as adjusting events and the Statement of Accounts is adjusted to reflect these events
The Operating cost statement of the Chief Constable will reflect any adjustments where appropriate.
- Those that are indicative of conditions that arose after the reporting period – these are known as non adjusting events and the Statement of Accounts is not adjusted to reflect such events.



However, where the event would have a material effect on the accounts, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

f. Accruals of Income and Expenditure

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

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

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

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

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

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

h. Joint Operations

Joint operations are arrangements where the parties have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Group has two 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 2017-18 (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 1st 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. This is not expected to have a material impact upon the Financial Statements.

IFRS 15 Revenue from Contracts with Customers

This Standard intends to recognise income 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. This standard will be applied from 1st April 2018 and is not expected to have a material impact upon the Financial Statements.

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 pages 27 to 30 the CCWMP has had to make certain judgements about complex transactions involving uncertainty about future events. The critical judgements made in the statement of accounts are:



- A fundamental judgement has been made in relation to the production of the Statement of Accounts for the Chief Constable, PCCWM and the Group. It has been determined that after the stage 2 transfer of resources which took place on 1 April 2014 the PCCWM continues to have ownership over the physical assets of the Group. All liabilities with the exception of pension liabilities and liabilities to pay accumulated compensated absences are also deemed to sit with the PCC. The income and expenditure of the Group have been split between the CCWMP and the PCCWM based on judgements about the nature of transactions, principally based on decisions about which entity has the ability to direct and control resources, the substance of transactions and in some cases their materiality. The accounting policies of the Group and the Chief Constable reflect the judgements that have been made in determining the accounting treatment for these assets, liabilities, income and expenditure.
- A judgement has been made about the cost to include in the financial statements in relation to the Chief Constable and the impacts of this on the PCC and Group accounts. Following the stage 2 transfer of resources which was interpreted based on the Scheme of Consents and Delegation between the 2 corporation soles, the Chief Constable controls and directs police officers, PCSOs and the majority of police staff (excluding those staff directly employed by the PCC to manage his office), therefore all pay and pensions costs associated with these staff groups are presented in the Chief Constables accounts. The 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. MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the CCWMP about the future, or that are otherwise uncertain. Estimates are made, taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Chief Constables Balance Sheet as at 31 March 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
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex actuarial judgements related to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected rate of return on the assets invested in the pension scheme. The CC uses 2 firms of actuaries to provide expert advice about the assumptions to be applied to the Police Pension Schemes and the Local Government Pension Scheme.	The effect on the net pension liability of changes in individual assumptions can be measured but they interact in complex ways. The liability as at 31 March 2018 is £7,641.3m (£7,436.9m in 2016-17) so a small percentage change in the overall liability can have a material impact on the accounts

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 FOR THE CHIEF CONSTABLE

6. EXPENDITURE AND FUNDING ANALYSIS

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	Chief Constable	2017-18 Net Expenditure Chargeable to the General Fund Balance £'000	2017-18 Adjustments between Funding and Accounting Basis £'000	2017-18 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Chief Constable						
535,419	32,966	568,385	Chief Constable	527,104	93,084	620,188
15,756	3	15,759	WMP2020 Projects	13,077	0	13,077
(545,619)		(545,619)	Funding from the PCC	(546,136)	0	(546,136)
5,556	32,969	38,525	Net Cost of Services	(5,955)	93,084	87,129
0	122,432	122,432	Other Income and Expenditure	0	107,066	107,066
5,556	155,401	160,957	Surplus or Deficit	(5,955)	200,150	194,195

	Chief Constable	
	2016/17	2017/18
Opening General Fund Balance	(5,556)	0
Less Deficit on General Fund Balance in Year	5,556	(5,955)
Closing General Fund Balance at 31 March	0	(5,955)

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2016-17 Net Change for the Pensions Adjustment (Note 1) £'000	2016-17 Other Differences (Note 2) £'000	2016-17 Total Adjustments between Funding and Accounting Basis £'000	Chief Constable	2017-18 Net Change for the Pensions Adjustment (Note 1) £'000	2017-18 Other Differences (Note 2) £'000	2017-18 Total Adjustments between Funding and Accounting Basis £'000
Chief Constable						
32,647	319	32,966	Chief Constable	92,878	206	93,084
3		3	WMP2020 Projects	0		0
		0	Funding from the PCC			0
32,650	319	32,969	Net Cost of Services	92,878	206	93,084
122,432		122,432	Other Income and Expenditure	107,066		107,066
155,082	319	155,401	Surplus or Deficit	199,944	206	200,150

Note 1 – This shows which lines have been affected by the removal of pension contributions and replaced with IAS 19 transactions

Note 2 – This column includes adjustments for Accumulated Absences adjustments



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

2016-17 Restated £'000		2017-18 £'000
394,458	Financial Resources of the PCCWM consumed at the request of the Chief Constable	
	Police Pay and Allowances	433,865
127,595	Police Staff and PCSO Pay and Allowances	157,317
5,466	Other Employee Expenses	5,948
527,519	Sub Total Employee Costs	597,130
21,967	Premises Related Costs	19,044
8,691	Transport/Travel Costs	9,232
61,171	Supplies and Services	57,946
17,753	Agency Expenses	20,484
27,071	Capital Financing Costs	11,506
(82,089)	Income	(87,578)
2,059	Non distributed costs	5,501
584,144	Total Financial Resources of the PCCWM consumed at the request of the Chief Constable	633,265
(545,619)	PCC funding for financial resources consumed	(546,136)
38,525	Net Cost of Policing Services	87,129
122,432	Financing and investment income and expenditure	107,066
160,957	Deficit on the provision of services	194,195
1,308,952	Other Comprehensive Income and Expenditure	8,887
1,469,909	Net Comprehensive Income and Expenditure	203,082

The 2016-17 figures have been restated following a rebuild of the Chart of Accounts used by the Group. To report more in line with CIPFA reporting categorisation, some items of subjective spend have moved categories, however the total outturn for the Net cost of Policing Services remains the same.

An increase in the Current service cost of Pensions as calculated by the Actuaries has led to the additional spend on Pay. Police and Police staff pay have also increased following the pay awards effective from September 2017.

The reduction in premises costs is due to dilapidation cost being paid in 2016-17, to enable us to exit a number of rented premises, resulting in reduction in rents during 2017-18.

Transport and Travel costs have increased in 2017-18 following additional spend through the self-funded insurance reserve.

Spend within Supplies and Services has reduced over the year by £3.2m, this is due to a reduction in the IIP support from our partner Accenture, a large investment within ICT in 2016-17 for laptops offset by a change from an in-house to a managed services for Uniform and Equipment.

Agency expenses sees an increase in Collaboration Officer Salary Costs due to increasing the capability in the Regional Organised Crime Unit function across the Region. This is mainly offset by additional External income from Reimbursed Services from other Police forces within ROCU.



9. EMPLOYEE REMUNERATION

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

2016-17 Police Officers	2016-17 Police Staff	2016-17 Total	Earnings Band	2017-18 Police Officers	2017-18 Police Staff	2017-18 Total
6077	3,639	9,716	Less than £49,999	5,877	3,987	9,864
349	20	369	£50,000 - £54,999	420	33	453
176	10	186	£55,000 - £59,999	242	12	254
45	7	52	£60,000 - £64,999	52	14	66
15	6	21	£65,000 - £69,999	30	5	35
11	2	13	£70,000 - £74,999	19	5	24
18	1	19	£75,000 - £79,999	15	3	18
8	1	9	£80,000 - £84,999	10	0	10
12	4	16	£85,000 - £89,999	10	3	13
0	0	0	£90,000 - £94,999	3	1	4
1	0	1	£95,000 - £99,999	1	0	1
0	0	0	£100,000 - £104,999	1	1	2
0	0	0	£105,000 - £109,999	0	0	0
0	0	0	£110,000 - £114,999	0	0	0
2	0	2	£115,000 - £119,999	1	0	1
0	0	0	£120,000 - £124,999	0	1	1
0	0	0	£125,000 - £129,999	0	0	0
0	0	0	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	0	0	0
0	0	0	£140,000 - £144,999	0	0	0
0	0	0	£145,000 - £149,999	1	0	1
0	0	0	£150,000 - £154,999	0	0	0
1	0	1	£155,000 - £159,999	0	0	0
0	0	0	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	0	0	0
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
0	0	0	£185,000 - £189,999	0	0	0
1	0	1	£190,000 - £194,999	1	0	1
0	0	0	£195,000 - £199,999	0	0	0
6,716	3,690	10,406	Totals	6,683	4,065	10,748



10. SENIOR OFFICERS REMUNERATION

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

Senior Officers' remuneration in 2017-18

Post holder information	Note	Salary (inc fees and allowances) (£000)	Benefit in Kind (£000)	Total remuneration (Exc employer pension contributions) (£000)	Employers pension contributions (£000)	Total Remuneration (Inc. employers pension contributions) (£000)
Chief Constable D Thompson		193.0	5.9	198.9	40.5	239.4
Deputy Chief Constable		149.0	5.7	154.7	31.0	185.7
Assistant Chief Constable (1)		137.1	6.7	143.8	24.0	167.8
Assistant Chief Constable (2)		115.6	7.1	122.7	24.3	147.0
Assistant Chief Constable (3)	1	38.2	2.5	40.7	7.6	48.3
Assistant Chief Constable (4)		101.5	0.0	101.5	21.6	123.1
Assistant Chief Constable (5)	2	17.0	0.0	17.0	3.0	20.0
Assistant Chief Constable (6)	3	33.6	0.0	33.6	6.1	39.7
Director of Commercial Services	4	95.0	6.7	101.7	16.0	117.7
Director of People & Organisation Development		123.0	0.0	123.0	18.6	141.6
Total		1,003.0	34.6	1,037.6	192.7	1,230.3

The Benefits in Kind figures in the draft accounts are those paid in 2016-17 as a proxy for the 2017-18 figures

Notes:

1. ACC (3) vacated this role on 31 July 2017.
2. ACC (5) commenced temporary role of ACC on 8 January 2018
3. ACC (6) commenced temporary role of ACC on 13 November 2017 and was made permanent on 24 April 2018
4. Director of Commercial Services – This post holder was made permanent in the role on 19 January 2018



Senior Officers' remuneration in 2016-17

Post holder information	Note	Salary (inc fees and allowances) (£000)	Benefit in Kind (£000)	Total remuneration (Exc employer pension contributions) (£000)	Employers pension contributions (£000)	Total Remuneration (Inc. employers pension contributions) (£000)
Chief Constable 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	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
Total		912.9	41.5	954.3	174.9	1,129.2

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



11. TERMINATION BENEFITS

The 2017-18 Code of Practice on Local Authority Accounting requires the disclosure of the number and cost of agreed exit packages. This note splits exit packages between those which relate to a compulsory redundancy and those which relate to other redundancy and departure costs.

Cost band	No. of compulsory redundancies		No. of other agreed departures		Total No. of exit packages by cost band		Total cost of exit packages in each band	
	2016-17	2017-18	2016-17 restated	2017-18	2016-17 restated	2017-18	2016-17 £'000	2017-18 £'000
£0 - £19,999	0	5	80	20	80	25	546	210
£20,000 - £39,999	0	2	15	4	15	6	478	169
£40,000 - £59,999	0	1	4	3	4	4	197	173
£60,000 - £79,999	0	1	7	1	7	2	496	142
£80,000 - £99,999	0	0	5	1	5	1	431	87
£100,000 +	0	0	7	1	7	1	1011	134
Total	0	9	118	30	118	39	3,159	915

Exit packages from 2016-17 have been re-stated to include pension strain payments which were not paid until 2017-18.

The costs shown in the table above relate only to the payments made to individuals who have been made redundant or whose redundancy has been agreed as at 31 March 2018 but who have not left the organisation at the Balance Sheet date.

The termination benefits note in the group accounts shows the addition of one member of staff in each year 2016-17 and 2017-18 who left the Office for the Police and Crime Commissioner.

12. EXTERNAL AUDIT COSTS

In 2017-18 the Chief Constable incurred the following fees relating to external audit:

	2016-17 £'000	2017-18 £'000
Fees payable to Grant Thornton UK LLP with regard to audit services carried out by the appointed auditor	23	23
Fees payable in respect of other services provided by the appointed auditor	16	0

The appointed auditor in 2017-18 was Grant Thornton UK LLP. The audit fee for the Chief Constable's accounts for the year was £22,500. In addition Grant Thornton provided tax advice to the Group and represented the Group in a national group action against HMRC.



13. GRANT INCOME

The Chief Constable 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 grants finally consumed by the CCWMP.

	2016-17	2017-18
	£'000	£'000
<i>Credited to Taxation and Non Specific Grant Income</i>		
Pensions top up grant receivable	88,949	90,191
Total	88,949	90,191
<i>Credited to Police Services</i>		
Loan Charges Grant	470	186
Counter Terrorism Grant	45,064	48,110
Other Grants	9,789	6,526

14. RELATED PARTY TRANSACTIONS

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

Central Government

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

Pension schemes

The Local Government Pension Scheme is administered by Wolverhampton City Council and payments of £30.6m were made to them in 2017-18 (£17.2m in 2016-17)

Officers

No Chief Officers of the Force have declared any related party transactions in 2017-18.



15. AGENCY EXPENDITURE

	31 March 2017 Restated £'000	31 March 2018 £'000
Levies	4,726	4,557
Government Departments	2,702	144
Health Authorities	129	50
Other Local Authorities	474	13,586
All other bodies	1,613	2,147
Total agency expenditure	9,644	20,484

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

The 2016-17 figures have been restated following a rebuild of the Chart of Accounts used by the Group. To report more in line with CIPFA reporting categorisation, some items of subjective spend have moved categories which has led to more items being classified as Agency Expenditure.



NOTES TO THE BALANCE SHEET FOR THE CHIEF CONSTABLE

16. UNUSABLE RESERVES

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

Pensions Reserve

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

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

	31 March 2017 £'000	31 March 2018 £'000
Balance at 1 April	5,973,641	7,437,675
Remeasurements of the net defined benefit liability or asset	1,308,952	8,887
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	233,081	275,846
Employers' pensions contributions and direct payments to pensioners payable in the year	(77,999)	(75,901)
Balance as at 31 March	7,437,675	7,646,507

Accumulating Compensated Absences Adjustment Account

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

	2016-17 £'000	2017-18 £'000
Balance at 1 April	3,255	3,573
Settlement or cancellation of accrual made at the end of the previous year	0	0
Amounts accrued at the end of the current year	3,255	3,573
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	319	206
Balance at 31 March	3,573	3,779



17. DEFINED BENEFIT PENSION SCHEMES

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

The Group participates in two post-employment schemes:

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

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

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

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

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



Comprehensive Income and Expenditure Statement

2017-18	Local Government Pension Scheme CC element £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
<u>Net cost of services:</u>						
Current Service Cost	(39,939)	(43,420)	(2,420)	(1,690)	(75,810)	(163,279)
Past service (cost) / gain	0	0	0	0	0	0
Curtailments	(941)	0	0	0	0	(941)
<u>Financing and Investing Income & Expenditure:</u>						
Net Interest cost	(8,932)	(171,040)	(2,760)	(8,300)	(5,960)	(196,992)
Administration cost	(265)	0	0	0	0	(265)
Total post-employment benefits charged to the surplus or deficit on the provision of Services	(50,077)	(214,460)	(5,180)	(9,990)	(81,770)	(361,477)
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
<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)	(16,668)	0	0	0	0	(16,668)
Actuarial gains and losses arising on changes in demographic assumptions	0	215,470	(2,610)	10,530	17,820	241,210
Actuarial gains and losses arising on changes in financial assumptions	32,111	(212,780)	3,180	(25,030)	(6,370)	(208,889)
Experience gains and losses arising on the pension liabilities	0	(29,250)	(2,550)	7,870	(600)	(24,530)
Net charge to I and E account	(34,634)	(241,020)	(7,160)	(16,620)	(70,920)	(370,354)



2016-17	Local Government Pension Scheme CC element £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
<u>Net cost of services:</u>						
Current service cost	(20,500)	(41,310)	(2,350)	(1,360)	(43,070)	(108,590)
Past service (cost)/ gain	0	0	0	0	0	0
Curtailments	(2,059)	0	0	0	0	(2,059)
<u>Financing and Investing Income & Expenditure:</u>						
Net Interest cost	(8,381)	(188,000)	(4,360)	(7,260)	(3,130)	(211,131)
Administration cost	(250)	0	0	0	0	(250)
Total post-employment benefits charged to the surplus or deficit on the provision of Services	(31,190)	(229,310)	(6,710)	(8,620)	(46,200)	(322,030)
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Re-measurement of the net defined benefit liability/asset comprising:						
Return on plan assets (excluding the amount included in the net interest cost)	85,982	0	0	0	0	85,982
Actuarial gains and losses arising on changes in demographic assumptions	14,813	112,960	29,620	(10)	0	157,383
Actuarial gains and losses arising on changes in financial assumptions	(238,332)	(1,220,770)	(20,590)	(99,590)	(56,910)	(1,636,192)
Experience gains and losses arising on the pension liabilities	38,082	17,157	13,810	(330)	2,630	71,349
Net charge to I and E account	(130,645)	(1,319,963)	16,130	(108,550)	(100,480)	(1,643,508)



Movement in Reserves Statement

2017-18	Local Government Pension Scheme CC element £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS 19	50,077	214,460	5,180	9,990	81,770	361,477
Actual amount charged against the General Fund balance for pensions in the year:						
Employer's contributions payable to the scheme	(25,240)	0	0	0	0	(25,426)
Retirement benefits payable to pensioners (net of employee contributions)	0	(164,070)	(2,430)	(240)	21,013	(145,727)

2016-17	Local Government Pension Scheme CC element £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS 19	31,250	229,310	6,710	8,620	46,200	322,090
Actual amount charged against the General Fund balance for pensions in the year:						
Employer's contributions payable to the scheme	(11,542)	0	0	0	0	(11,542)
Retirement benefits payable to pensioners (net of employee contributions)	0	(166,850)	(2,460)	(120)	18,950	(150,480)

In the above table the reversal of net charges for retirement benefits in accordance with International Financial Accounting Standards includes the pension top up grant payable to the Chief Constable from the Home Office. This grant is excluded in the Movement in Reserves Statement on page 23 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:

2017-18	Funded liabilities: LGPS CC element £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(956,846)	(6,593,640)	(108,980)	(329,040)	(268,440)	(8,256,946)
Fair value of plan assets	616,394	0	0	0	0	616,394
Sub-total	(340,452)	(6,593,640)	(108,980)	(329,040)	(268,440)	(7,640,552)
Other movements in the liability	0	0	0	0	0	0
Net liability arising from the defined benefit obligation	(340,452)	(6,593,640)	(108,980)	(329,049)	(268,440)	(7,640,552)

2016-17	Funded liabilities: LGPS CC element £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(933,646)	(6,512,857)	(104,250)	(312,060)	(176,910)	(8,039,723)
Fair value of plan assets	602,588	0	0	0	0	602,588
Sub-total	(331,058)	(6,512,857)	(104,250)	(312,060)	(176,910)	(7,437,135)
Other movements in the liability	0	797	0	0	0	797
Net liability arising from the defined benefit obligation	(331,058)	(6,512,060)	(104,250)	(312,060)	(176,910)	(7,436,338)



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

2017-18	Funded liabilities: Local Govt Pension Scheme (CC element) £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
1 April -17	(933,646)	(6,512,060)	(104,250)	(312,600)	(176,910)	(8,039,466)
Current service cost	(39,939)	(43,420)	(2,420)	(1,690)	(75,810)	(163,279)
Interest cost	(25,995)	(171,030)	(2,760)	(8,300)	(5,960)	(214,045)
Contributions by scheme participants	(5,878)	(9,740)	0	(440)	(21,060)	(37,118)
Transfers into the scheme	0	(80)	0	(50)	(10)	(140)
Re-measurement of the defined benefit obligation	32,111	(26,560)	(1,980)	(6,640)	10,840	7,771
Benefits paid	17,442	173,810	2,430	680	470	194,832
Curtailments	(941)	0	0	0	0	(941)
Past service costs	0	(4,560)	0	0	0	(4,560)
Other movements in the liability	0	0	0	0	0	0
31 March-18	(956,846)	(6,593,640)	(108,980)	(329,040)	(268,440)	(8,256,946)

2016-17	Funded liabilities: Local Govt Pension Scheme (CC element) £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
1 April -16	(710,483)	(5,358,597)	(122,840)	(203,890)	(57,480)	(6,453,290)
Current service cost	(20,500)	(41,310)	(2,350)	(1,360)	(43,070)	(108,590)
Interest cost	(26,817)	(188,000)	(4,360)	(7,260)	(3,130)	(229,567)
Contributions by scheme participants	(5,652)	(11,990)	0	(490)	(19,430)	(37,562)
Transfers into the scheme	0	(350)	0	(280)	0	(630)
Re-measurement of the defined benefit obligation	(185,437)	(1,091,450)	22,840	(99,930)	(54,280)	(1,408,257)
Benefits paid	17,302	178,840	2,460	610	480	199,692
Curtailments	(2,059)	0	0	0	0	(2,059)
Past service costs	0	0	0	0	0	0
Other movements in the liability	0	797	0	0	0	797
31 March-17	(933,646)	(6,512,060)	(104,250)	(312,600)	(176,910)	(8,039,466)



Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme CC Element £'000	
	2016-17	2017-18
1 April	485,205	602,588
Interest on plan assets	18,436	17,063
Return on plan assets excluding the amount included in the net interest expense	85,982	(16,668)
Other actuarial gains and (losses)	13,323	0
Employer contributions	11,542	25,240
Member contributions	5,652	5,878
Benefits paid	(17,302)	(17,442)
Administration expenses	(250)	(265)
31 March	602,588	616,394

History of the Scheme

	2017-18	2016-17	2015-16	2014-15	2013-14
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:					
Local Government Pension Scheme CC element	(956,846)	(933,646)	(710,483)	(719,224)	(556,975)
Local Government Pension Scheme PCC element	(6,320)	(5,436)	(5,867)	(5,382)	(4,495)
1987 Police Pension Scheme	(6,593,640)	(6,512,060)	(5,358,597)	(6,292,860)	(5,424,560)
Police Injury award Pensions	(108,980)	(104,250)	(122,840)	(126,970)	(187,630)
2006 Police Pension Scheme	(329,040)	(312,600)	(203,890)	(260,970)	(194,530)
2015 Police Pension Scheme	(268,440)	(176,910)	(57,480)	0	0
Fair value of assets in the Local Government Pension Scheme CC element	616,394	602,588	485,205	471,653	401,127
Fair value of assets in the Local Government Pension Scheme PCC element	4,184	3,379	3,729	3,278	3,032
Subtotal	(7,642,688)	(7,438,935)	(5,970,223)	(6,930,475)	(5,964,031)
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme CC element	(340,452)	(331,058)	(225,278)	(247,571)	(155,848)
Local Government Pension Scheme PCC element	(2,136)	(2,057)	(2,138)	(2,104)	(1,463)
1987 Police Pension Scheme	(6,593,640)	(6,512,060)	(5,358,597)	(6,292,860)	(5,424,560)
Police Injury award Pensions	(108,980)	(104,250)	(122,840)	(126,970)	(187,630)
2006 Police Pension Scheme	(329,040)	(312,600)	(203,890)	(260,970)	(194,530)
2015 Police Pension Scheme	(268,440)	(176,910)	(57,480)	0	0
Total	(7,642,688)	(7,438,935)	(5,970,223)	(6,930,475)	(5,964,031)



The above table presents the liabilities of the Local Government and Police Pension Schemes with the elements relating to the Police and Crime Commissioner shown separately. The total value of the liability for the pension schemes disclosed in the Chief Constables Balance Sheet excludes the PCC element of the Local Government Pension Scheme and is thus £7,641.3m.

The liabilities show the underlying commitments that the CCWMP has in the long run to pay post-employment (retirement) benefits. The total liability of £7,641.3m within the Chief Constable's Balance Sheet has a substantial impact on the net worth of the Group recorded in the Group Balance Sheet, resulting in a negative overall balance of £7,645.0m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy:

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

Basis for Estimating Assets and Liabilities

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

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

	Chief Constable Portion of Local Government Pension Scheme		Police Pension Scheme	
	£'000		£'000	
	2016-17	2017-18	2016-17	2017-18
	Years	Years	Years	Years
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	21.8	21.9	23.2	22.6
Women	24.2	24.3	25.2	24.2
Longevity at 65 for future pensioners:				
Men	23.9	24.0	25.2	24.5
Women	26.5	26.6	27.3	26.1
	%	%	%	%
Rate of CPI inflation	2.70	2.30	2.35	2.30
Rate of increase in salaries	4.20	3.80	4.35	4.30
Rate of increase in pensions	2.70	2.30	2.35	2.30
Rate for discounting scheme liabilities	2.80	2.55	2.65	2.55
Proportion of employees opting to take a commuted lump sum	50	50	n/a*	n/a*

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



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

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

Local Government Pension Scheme Chief Constable	Sensitivity analysis	Impact on the defined benefit obligation in the scheme		
		£000's	£000	£000
	Adjustment to the discount rate	+0.1%	0%	-0.1%
	Present value of total obligation	936,479	956,846	977,675
	Projected service cost	37,070	38,059	39,075
	Adjustment to long term salary increase	+0.1%	0%	-0.1%
	Present value of total obligation	959,908	956,846	953,807
	Projected service cost	38,059	38,059	38,059
	Adjustments to pension increases and deferred valuations	+0.1%	0%	-0.1%
	Present value of total obligation	974,643	956,846	939,449
	Projected service cost	39,077	38,059	37,067
	Adjustment to life expectancy assumptions	+ 1 year	No change	- 1 year
	Present value of total obligation	991,115	956,846	923,795
	Projected service cost	39,273	38,059	36,883

Police Pension Scheme	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£000's	£000's
Longevity (increase or decrease of 1 year)	182,000	(182,000)
Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%)	582,000	(582,000)
Rate of increase in salaries (increase or decrease by 0.5%)	128,000	(128,000)
Rate of discounting scheme liability (increase or decrease by 0.5%)	771,000	(771,000)



The police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund relating to the Chief Constable are valued at fair value, (the bid price of investments held), totalling £602.6m for the fund as a whole at 31 March 2017 (£485.2m at 31 March 2016). The Fund assets consist of the following categories by proportion of the total assets of the Fund:

Asset category	Sub category	Quoted Y or N	Fair value of assets held	
			31 March 2017	31 March 2018
			£'000	£'000
Cash and cash equivalents	Cash instruments and accounts	Y	0	0
	Cash instruments and accounts	N	17,198	15,169
Total Cash			17,198	15,169
Equity Instruments	UK quoted	Y	110,274	98,491
	UK unquoted	N	0	1,847
	Overseas quoted	Y	233,262	260,386
	Overseas unquoted	N	44,591	33,241
Total equity			388,127	393,965
Bonds	UK Government fixed	Y	0	0
	UK Government fixed	N	7,231	6,787
	UK Government indexed	Y	37,724	34,553
	UK Government indexed	N	0	0
	UK Other	Y	0	0
	UK Other	N	24,706	23,580
	Overseas other	Y	0	0
	Overseas other	N	4,218	3,702
Other	Y	0	0	
Total Bonds			73,879	68,622
Property	UK and Property Funds	Y	46,420	47,459
Total property			46,420	47,459
Alternatives	Commodities	Y	0	0
	Infrastructure	Y	603	616
	Infrastructure	N	18,078	23,411
	Absolute Return	Y	0	0
	Absolute Return	N	31,167	20,330
	Other fixed interest	Y	0	0
	Other fixed interest	N	27,116	29,572
Futures	Y	0	17,250	
Total Alternatives			76,964	91,179
Total Assets held			602,588	616,394



18. 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.

	2016-17 Capitalised Value £'000	2017-18 Actual Payments £'000	2017-18 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	1,991	107	1,923
	1,991	107	1,923

19. CONTINGENT LIABILITIES AND ASSETS

The Chief Constable of West Midlands Police, along with other Chief Constables and the Home Office, currently has 737 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 and in 2016-17 these claims were heard in the Employment Tribunal.

In 2017-18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

The Chief Constable of West Midlands Police along with other Chief Constables had claims lodged against them in the Courts predominately in the Mayor's and City of London County Court. The number of claims against the Chief Constable of West Midlands Police is 35 and are in respect of breaches of the Police Regulations 2003 in particular, failure to pay overtime, compensatory leave and other on call allowances to CHIS (Covert Human Intelligence Source) handlers. The cases against all Forces have been stayed pending agreement on lead cases, which are due to be determined at a further hearing in August 2018. These claims are expected to have a financial impact on West Midlands Police, but the level of such impact is unclear at this stage, as the investigation into the likely value of compensation to the Claimants is still ongoing.

The Hillsborough inquiry is ongoing and is one of a number of historical inquiries that are at various stages which potentially could have a financial impact on West Midlands Police.



20. JOINT OPERATIONS

(a) CENTRAL MOTORWAY POLICE GROUP

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

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

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

The revenue account for the Unit covers all operating costs. The details for 2016-17 are as follows:

2016-17 £'000		2017-18 £'000
Funding provided to the pooled budget		
(4,136)	Contribution from West Midlands Police	(4,247)
(1,739)	Contribution from West Mercia Police	(1,621)
(1,839)	Contribution from Staffordshire Police	(1,937)
(7,714)	Total funding provided to the pooled Budget	(7,805)
Expenditure met from the pooled budget		
7,049	Pay and allowances	7,197
68	Premises costs	52
429	Transport costs	402
168	Supplies and Services	154
7,714	Total expenditure	7,805
Income received to the Pooled budget		
0	Miscellaneous income	0
(3)	External funding	(12)
(3)	Total income received	(12)
7,711	Total Net Expenditure	7,793
0	Net surplus/(deficit) arising during the year	75
0	West Midlands Police share of 50.7% of the net surplus/(deficit) arising during the year	38

The funding provided by the pooled budget is adjusted between the Forces to ensure the agreed percentage split is applied to the final expenditure less any surplus. In 2017-18 the final contribution paid by the PCCWM was £3.91m.

From April 2018, West Mercia has withdrawn from the collaboration. The funding in the future will be split between West Midlands (70%) and Staffordshire (30%).



(b) WEST MIDLANDS REGIONAL ORGANISED CRIME UNIT

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

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

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

2016/17 £'000s		2017/18 £000's
	Funding provided to WMROCU	
(4,858)	Contribution from West Midlands Police	(11,787)
(1,426)	Contribution from West Mercia Police	(3,619)
(1,587)	Contribution from Staffordshire Police	(3,515)
(733)	Contribution from Warwickshire Police	(1,758)
(2,413)	WMROCU Grant	(2,399)
(358)	National Cyber Security Programme funding	(270)
(168)	Regional Asset Recovery Team grant	(155)
0	ROCU Reserves	(135)
0	Additional Home Office funding (grant provided in 2017-18)	(1,000)*
(11,543)	Total funding	(24,638)
	WMROCU expenditure	
997	Regional Asset Recovery Team (RART)	1,138
168	RART – ACE team	155
789	Regional Cyber Crime Unit	678
196	Regional Fraud Team	248
784	Regional Intelligence Unit (now inc in Regional Confidential Unit)	0
879	Regional Prisons Intelligence Unit	999
893	UKPPS (protected Persons)	968
82	Project Management	0
0	Project Management (Phase 2)	0
76	Operational Security	18
49	Regional Government Agency Intelligence Network	34
948	Command Team	1,378
3,984	Regional Confidential Unit	4,903
741	TIDU – Technical Intelligence	813
0	Enabling Services	108
957	Other Regional Operations	12,198
0	Additional Contribution to Reserves	1,000
11,543	Total expenditure	24,638
0	Total Net Expenditure	0

* The additional £1m Home Office grant was provided in March 2018 to be used in 2018-19. Therefore the grant has been shown as income in 2017-18 and then contributed to reserves. In 2018-19 the grant will be released to ROCU for the provision of services.



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.

2016-17 £'000	Police Pension Fund Account	2017-18 £'000	£'000
	Fund Account		
	Contributions receivable:		
	From employer:		
(49,784)	Normal	(48,813)	
(3,116)	Early retirements	(932)	
0	30+ contributions	0	
(52,900)		(49,745)	
(31,861)	From members	(31,247)	
(31,861)		(31,247)	
(584)	Transfers in	(281)	
(584)		(281)	
(85,345)	Total income into the Pension Fund		(81,272)
	Benefits payable:		
140,419	Pensions	146,502	
39,931	Lump sums	30,632	
250	Lump sum death benefits	110	
0	30+ benefits payable	0	
103	Benefits payable to other regional forces re earlier reorganisations	73	
180,703		177,317	
	Payments to and on account of leavers:		
47	Refunds of contributions	107	
316	Individual transfers out to other schemes	452	
6	Other	233	
369		792	
181,072	Total payments from the pension fund		178,109
95,727	Net amount payable for the year		96,837
(6,778)	2.9% employer contributions met by the Police and Crime Commissioner		(6,646)
(88,949)	Additional contribution received from the Police and Crime Commissioner		(90,191)
0			0



Net Assets Statement

Net current assets and liabilities	2016-17	2017-18
	£'000	£'000
Current assets	0	0
Current liabilities	0	0
Total	0	0

Notes to the Police Pension Fund Account

1. The police pension fund account has been prepared in accordance with the Police Pension Regulations 2007 and the accounting policies detailed on page 27 of this Statement of Accounts.
2. The police pension fund is administered by the Chief Constable of West Midlands Police.
3. All benefits payable during 2017-18 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2018 are not included. These liabilities are recognised within the Comprehensive Income and Expenditure Statement and are detailed in note 17.
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 2017-18 the contribution rates were as follows :-

- Employees Contribution – 21.3% for the 1987 2006 & 2015 Police pension schemes

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

- Employees Contribution – 11% for 2006 police pension scheme
- Employees 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
- Employers Contribution – 12.05% for 2006 police pension scheme
- Employers 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
Employers Contribution – 12.75% for 2006 police pension scheme
Employers Contribution – 13.78% for 2015 police pension scheme



GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

OUTTURN – The actual amount spent in the financial year.

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

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

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

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

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

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

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

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