



# **Chief Constable of West Midlands Police: Statement of Accounts**

**2018-19**



## STATEMENT OF ACCOUNTS 2018-19

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## **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](http://www.west-midlands.police.uk) or can be obtained by contacting us, details at [www.west-midlands.police.uk/contact-us/index.aspx](http://www.west-midlands.police.uk/contact-us/index.aspx) This statement explains how the Chief Constable has complied with the code and also meets the requirements of Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

The Chief Constable of the West Midlands is supported by a Deputy Chief Constable, four Assistant Chief Constables, a Director of Commercial Services and a Director of People and Organisational Development. Information on West Midlands Police can be found at [www.west-midlands.police.uk](http://www.west-midlands.police.uk)

## **The Statement of Accounts**

This Statement of Accounts sets out the overall financial position of the 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 2018-19 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 2019**

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 2019**

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 2018-19

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 2% pay rise to Police Officers and Police staff has increased employee costs year on year.

### Premises related expenditure

Rates rebated received during 2018-19 have generated the reduction in premises costs.

### Transport/Travel Costs

Transport and Travel costs have increased in 2018-19 in 3 main areas:

- Travel expenses has seen an increase of £170k, a review of travel expenses will be carried out in 2019-20 to determine what is causing the expenditure to increase, understanding processes and behaviours.
- Vehicle fuel has increase by £658k, this is a mixture of increased prices and an increase in the number of fleet vehicles.
- Vehicle repairs and maintenance has increased in £282k, again this is a mix of the cost of vehicle parts has increased by around 7% over the year, and an increase in the number of fleet vehicles we maintain.

### Supplies and Services Expenditure

Spend within Supplies and Services has increase over the year by £3.6m. ICT have seen an increase in ICT licences and support and maintenance contracts linked to the investment in technology through the WMP2020 programme of work. In addition to project related increases an increase in major investigations during the year has contributed to an increase in expenditure across Pathologists fees and external forensic services.

### Agency Expenditure

Agency expenses has reduced by £6.1m, this is linked to a change in the accounting treatment for the Regional Organised Crime Unit Collaboration costs. Rather than show all collaboration costs within the WMP general ledger we balance the required contributions to ROCU offline and only include the net position on WMP in the general ledger. This has also seen a reduction in reimbursed services from other forces income of £6.3m.

### Capital Financing

The £2m additional spend within Capital Financing is additional revenue contribution to capital (RCCO). This has occurred because budgeted revenue expenditure within the WMP2020 project costs, mainly within the Connect and Data Driven Insight has been reclassified as capital expenditure.



### External Income

External income has decreased by £3.7m, as mentioned in agency expenditure we have seen a reduction in reimbursed services from other forces income of £6.3m, offset by additional grant of £1.7m for policing the Conservative Party Conference

### WMP2020 Project Costs

WMP2020 has increased by £4.0m, this is linked to the commencement of a number of major projects including Connect, Taser and National Data Analytics solution.

| 2017-18<br>£'000 |   | 2018-19<br>£'000 |
|------------------|---|------------------|
| 480,865          | Financial Resources of the PCCWM consumed at the request of the Chief Constable | 490,574          |
| 16,816           | Employee Costs  | 15,836           |
| 6,787            | Premises Related Costs  | 7,418            |
| 37,659           | Transport/Travel Costs  | 41,276           |
| 18,058           | Supplies and Services   | 10,656           |
| 4,140            | Agency Expenses   | 6,129            |
| (43,997)         | Capital Financing   | (40,268)         |
| <b>520,328</b>   | <b>Income</b>   | <b>(40,268)</b>  |
|                  | <b>Police Force (Excl. WMP2020 project costs)</b>                               | <b>531,620</b>   |
| 13,077           | WMP2020 Project Costs   | 17,044           |
| <b>533,405</b>   | <b>Police Force (Incl. WMP2020 project costs)</b>                               | <b>548,664</b>   |

### HOW WEST MIDLANDS POLICE HAS PERFORMED IN 2018-19

The table below shows some key crime statistics for West Midlands Police for the year ended 31 March 2019 compared to the same time in the previous year.

|                      | 2017-18 | 2018-19 | % change |
|----------------------|---------|---------|----------|
| Total recorded Crime | 233,427 | 259,430 | 11%      |
| Business Crime       | 48,445  | 47,002  | (3%)     |
| Burglary             | 28,057  | 28,967  | 3%       |
| Robbery              | 7,457   | 8,727   | 17%      |

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. Firearms crime, knife crime and serious youth violence are current priorities for the force due to both threat and increasing volume of incidents.

Whilst total recorded crime is higher in 2018-19 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 three pillars, efficiency, effectiveness and legitimacy. This year HMICFRS have changed their approach to inspection integrating all three inspections into one report based on continual monitoring through field work, insight visits and data analysis.

This year WMP were graded good across all three pillars





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 is good at operating efficiently and sustainably. HMICFRS found that the force is outstanding in the way that it is planning for the future and manages its change programme well.

In respect of how effective the force is at keeping people safe and reducing crime, HMICFRS found that the force has a good understanding of the nature and scale of vulnerability within the West Midlands. They recognised that the force has taken steps to address issues identified within the control rooms in 2017 and that the force is working to make further improvements in this area. They found that the force approach to domestic abuse risk assessment has improved, and that the force is working to improve this further and that the mental health triage service is effective ensuring that people experiencing mental health problems are taken to appropriate places of safety rather than police cells.

HMICFRS tested the legitimacy of the force at keeping people safe and reducing crime. It recognised the force as good and commented that it treats both the public and its workforce fairly. It found that the force communicates well with the public, including those parts of the community that are harder to reach. The inspection recognised that whilst all officers and staff employed by the force have been subject to vetting checks the force needs to address the delay in renewing vetting. They did recognise that the force has clear standards of behaviour and that officers and staff are confident that they can raise issues with senior leaders within the force.

## **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**

The Chief Constable of the West Midlands, along with other Chief Constables and the Home Office, currently has 745 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 December 2018 the Court of Appeal ( McCloud / Sargeant ) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government is seeking permission to appeal this decision. It is envisaged that if this is unsuccessful, the Court will require steps to be taken to compensate employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions have estimated the potential increase in scheme liabilities as a result of the judgment to be approximately 5.4% of national pension scheme liabilities as at March 2018. This estimate is based on one potential remedy and depending on the outcome of the appeal, the remedy calculation and its applicability to the Police Pension Scheme will need to be revisited in the light of further direction from the courts.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers





are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

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 37 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 and agreement has been reached on lead cases, which are likely to be heard in early 2020 subject to court availability. 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 legal case 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 2019 the Chief Constable recognised net pension liabilities of £7,978m. Overall statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The actuarial loss on pension funds in 2018-19 totalled £199.2m and compared to actuarial gains in 2017-18 of £8.1m. The increase in the liability of £338m is due to reductions in the discount rates applied and assumed increases in salaries and the rate of CPI inflation which increase the liability for active members of the scheme. 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 48 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 2018-19.

## **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 2019-20 has allowed PCCs to increase Council Tax by £24 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 work streams 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. Over the last 12 months we have delivered a number of capabilities, technologies and systems:

- New Public Protection (PPU) structure and operating model implemented.
- New Criminal Justice structure and charter delivered.
- Mobile device roll-out to Force CID, PPU and Offender Management
- Mobile PNC and other Mobility applications updates and releases (e.g. Use of Force etc.)
- WMP Portal WebChat and Further Web Portal enhancements
- DDI Dashboards live, Enterprise search and analytics lab in place
- National Data Analytics Solution pilot completed
- 60 CCTV Kiosks live
- Further 2500+ Body Worn Video roll-out completed
- Drones Pilot completed
- Online Pensions Portal and Occupational Health System
- Many significant milestones for My Time, ControlWorks and Connect

Predicted demand beyond 2020 has been assessed against future threats, risks and opportunities, to identify the trends which are most likely to impact WMP by 2025. The next phase of the change and transformation programme will better position the force to adapt to this changing landscape; leveraging the capabilities delivered by WMP2020 and National Programmes; as well as continue to deliver the existing commissioned portfolio.

## **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.

It is also unclear the timings of the comprehensive spending review planned for 2019. This will impact on the level of resources the PCC and the Force will receive in the future.

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

Following the referendum decision announced on 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 2019 including plans for the financial year 2019/20.

## **1. Introduction**

This Annual Governance Statement (AGS) explains how the Chief Constable governs West Midlands Police (the 'Force') through a system of internal controls. 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](http://www.west-midlands.police.uk) or can be obtained by contacting us, details at [www.west-midlands.police.uk/contact-us/index.aspx](http://www.west-midlands.police.uk/contact-us/index.aspx). This statement explains how the Chief Constable has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

## **2. Scope**

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.

## **3. 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.

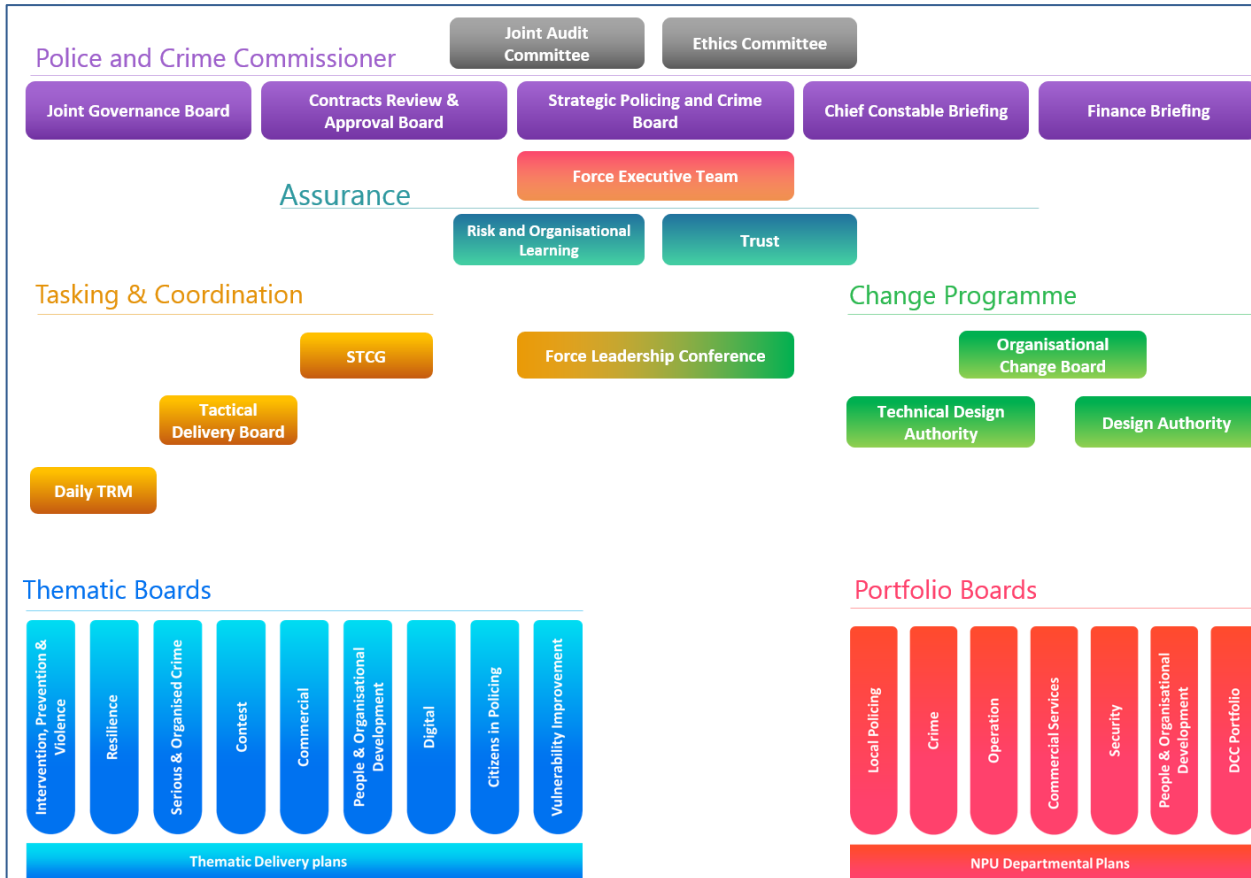
The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance 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 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, 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.

*West Midlands Police Strategic Governance Structure:*



The 'Delivering Good Governance standard for public services 2016' sets out the seven good governance core principles. The key elements of the systems and processes that have been put in place for the Force and how the Force adheres to these seven principles is evidenced below.

#### 4. Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Evidence to demonstrate Principle A includes;

- ✓ The Chief Constable's Vision and Values, in conjunction with the Code of Ethics, define the exemplary standards expected of everyone working in policing and is communicated to all officers and staff.
- ✓ The Standards of Professional Behaviour reflect the expectations of the public and are governed by specific policies, procedural rules and internal management processes that cover the activities of the force:

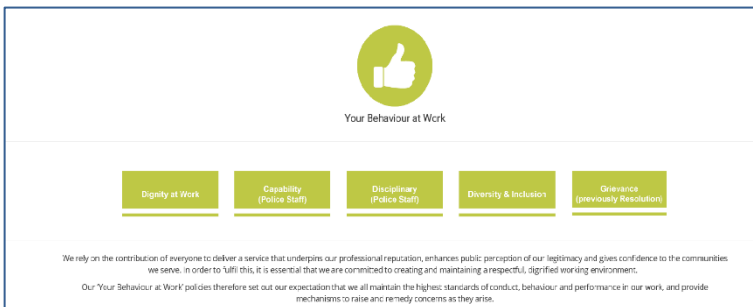
## Our Values

West Midlands Police is made up of people like you:

|  |   |   |
|--|---|---|
| <p><b>I prevent crime</b></p> <ul style="list-style-type: none"> <li>I work in partnership to create safer communities</li> <li>I am creative and think of new approaches</li> </ul> <p><b>I offer friendship and service</b></p> <ul style="list-style-type: none"> <li>I care about the people I serve</li> <li>I am honest and I earn people's trust</li> <li>I show friendship by helping the public, partners and colleagues – particularly those who may not realise they need our help</li> </ul> | <p><b>I am courageous and fair</b></p> <ul style="list-style-type: none"> <li>I stand up for the right things</li> <li>I challenge unreasonable and discriminatory behaviour</li> <li>I make the right decisions, however tough they are</li> <li>I want to work in a diverse team</li> </ul> <p><b>I listen and learn</b></p> <ul style="list-style-type: none"> <li>I accept and admit when I am wrong</li> <li>I learn lessons</li> <li>I let the public see how we work because I welcome openness</li> </ul> | <p><b>I am proud of what I do</b></p> <ul style="list-style-type: none"> <li>I am a strong performer and colleagues can rely on me</li> <li>I inspire others with my passion for policing</li> <li>I challenge and address poor service</li> <li>I deliver a service my family would be proud of</li> </ul> |
|--|---|---|



- Financial Management
  - Procurement
  - Health and safety
  - Gifts and Hospitality
  - Business Interests
  - 'Whistleblowing' – Confidential Reporting
  - Complaints Handling
  - Anti-Fraud, Bribery and Corruption
  - Information Security
  - Information sharing
  - Data Protection
  - General Data Protection Regulations
- ✓ At a national level, the Force cooperates in the National Fraud Initiative which attempts to identify fraud by sharing and comparing employee data across the public sector.
- ✓ Within the Force there are two formal codes of conduct, one for police officers and one for police staff. Both codes define the standards of personal behaviour expected. The officer code also sets out requirements in terms of use of force, performance, execution of duties and other general conduct expectations. Certain staff, e.g. qualified accountants or solicitors, will have professional codes of conduct to which they are held to account.



- ✓ An Ethics Committee has been established which is responsible for providing the Chief Constable and PCC with independent advice around ethical issues arising from the data analytics projects.

## 5. Principle B: Ensuring openness and comprehensive engagement

Evidence to demonstrate Principle B includes;

- ✓ The West Midlands Police web site includes the current Freedom of (FOI) publication scheme in its 'Your right to information' pages.
- ✓ The effective force website aids agile accessibility to the police service by providing advice, enabling a member of the public to report an incident, track their case and undertake live webchat to report all non-emergency crimes online.
- ✓ The Force actively involves communities across the force geography. The approach involves public meetings including community forums, independent advisory groups, scrutiny panels and messaging via WMNOW. There is also active involvement with the full range of media such as press, TV, social media and public surveys.
- ✓ The West Midlands Police and Crime Plan 2016 – 2020 and the Force Ambition Plan identifies and communicates plans and intended outcomes for citizens and service users.
- ✓ The force works closely with Independent Advisory Groups to increase levels of trust and understanding in our diverse communities, support the most vulnerable and make sure our engagement is targeted and meaningful.





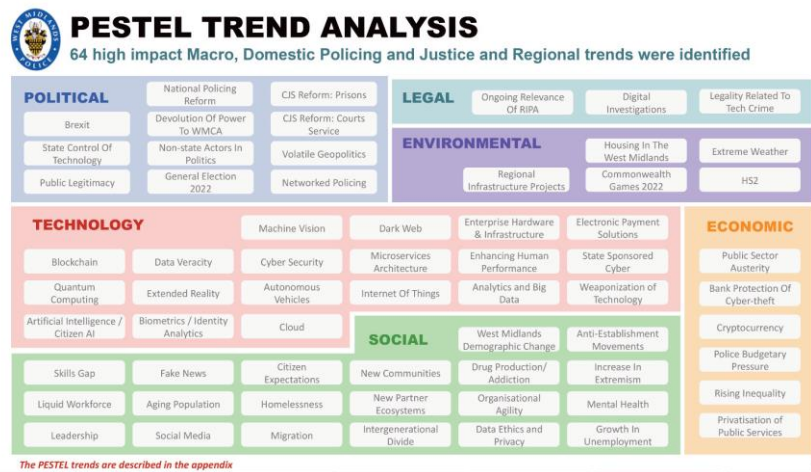


- ✓ Body worn video is used routinely by frontline officers when attending an incident and is scrutinised by Independent Advisory Groups.
- ✓ Governed by the Citizens in Policing Board, the force has a comprehensive Citizens in Policing programme which seeks to increase citizen participation in policing and community safety by developing the scale and variety of opportunities for volunteers, special constables, cadets and a number of watch schemes.
- ✓ The Force engages and collaborates with a significant number of partners within the region. An example being the work of the *West Midlands Violence Prevention Alliance (WMVPA)* which is jointly chaired by an Assistant Chief Constable and Public Health Lead. *The WMVPA aims to bring together partners to work together with the shared understanding that violence and its associated harms are preventable. The WMVPA is a member of the World Health Organisation Violence Prevention Alliance international network.*

**6. Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits**

Evidence to demonstrate Principle C includes;

- ✓ The WMP2020 change program has clearly defined economic, social and environmental outcomes to be delivered during the period.
- ✓ A WMP2025 project has commenced to highlight the trends that are most likely to impact policing by 2025, to consider the implications of those trends on WMP and define how to position WMP achieve its goals in this environment.
- ✓ A WMP environmental policy is under development a post being created to activity in this area.



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- ✓ The Force’s updated procurement strategy includes ensuring achievement of social value.

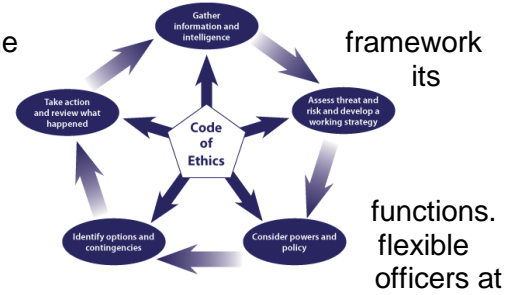
**7. Principle D: Determining the outcomes necessary to optimise the achievement of the intended outcomes**

Evidence to demonstrate Principle D includes;

- ✓ The Medium Term Financial Plan (MTFP) has been updated in 2018 which forms the basis of the annual budgets and provides a framework for the evaluation of future proposals.
- ✓ The Force planning cycle incorporates an annual strategic assessment, annual Force Management Statement (FMS), financial plans and delivery plans against the force Ambition Plan.
- ✓ Performance is scrutinized via the governance boards and areas where additional focus is required are highlighted. These areas are followed up and reported on at subsequent boards.



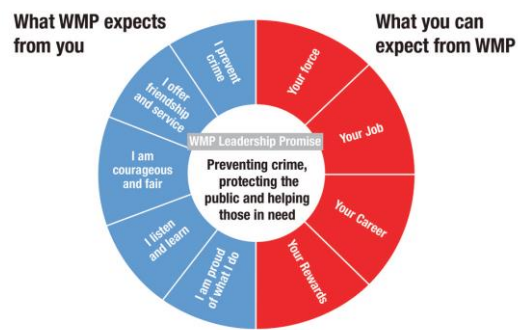
- ✓ Decision-making at all levels of the Force is undertaken within the of the National Decision Model, which has the Code of Ethics at core.
- ✓ WMP have adopted the Threat Harm Risk Investigation Vulnerability Engagement (THRIVE+) framework across all It underpins all decision making in the force and encourages and adaptable risk management, while empowering staff and all levels to have confidence in the decisions that they make.



**8. Principle E: Developing the Force’s capacity, including the capability of its leadership and the individuals within it**

Evidence to demonstrate Principle E includes;

- ✓ The ‘People Deal’ is a fluid covenant between employees and the organisation. It outlines what WMP expects from its personnel and what people can expect, in from the organisation.
- ✓ This covenant extends to those in management roles as described in the Leadership Promise, with individuals aiming champions in the workplace; creating an environment which supports, challenges and enables WMP officers and staff to be the they can be in order to bring the vision and values, as referenced under Principle A, to life.



- ✓ The Force Executive Team have clearly defined leadership roles and objectives; they are responsible for implementing strategy and managing the delivery of services within their respective portfolios.
- ✓ In 2018 the Force rolled out WMP Conversations, a new approach to managing people and performance across the force, along with supporting everyone to bring the vision of WMP to life in a real and practical way.
- ✓ To build on capacity, collaboration arrangements are in place with neighboring forces for significant service areas (CMPG / Legal Services etc.)
- ✓ Regional and national governance arrangements are in place in relation to national and regional programmes (Single Online Home, Specialist Capabilities, Blue Light Collaboration etc.)
- ✓ The innovative Data Driven Insight (DDI) project is leading the national agenda in terms of data analytics. It will deliver a single, cleansed and integrated data set which will provide an enterprise wide search capability directly into the hands of our front line officers on their mobile devices, transforming data access, intelligence and tools. This system will also provide deep insight and analytics creating the step change in how information drives our actions in line with our Blueprint ambition.
- ✓ As part of the HMICFRS Integrated PEEL Assessment (IPA) the WMP’s arrangement planning for future demand was graded as ‘Outstanding’.
- ✓ An in-house automation capability within IT&D has been developed and implemented.
- ✓ To build on the Force’s expertise there are knowledge transfer arrangements in place as part of WMP2020, along with numerous academic collaboration work streams.





- ✓ The Chief Constable has hosted a series of *Aspire to Inspire* and *Lead2Achieve* development programmes and events across the Force to develop the capability of its leadership at all levels within the organisation.

## 9. Principle F: Managing risks and performance through robust internal control and strong public financial management

Evidence to demonstrate Principle F includes;

- ✓ The Force has an Organisational Risk Management Policy and Risk Register, prepared and reviewed by the Deputy Chief Constable and managed via the Risk and Organisational Learning Board. The Risk Register is subject to internal audit on an annual basis. The Joint Audit Committee is responsible for independent assurance on the adequacy of the risk management framework
- ✓ The force has also ensured that all decision-making processes are overseen by correct governance structures. Each member of the Force Executive Team (FET) leads a specific portfolio board and chairs thematic boards, all of which incorporate sub-groups for specific functions and themes. This oversight from the highest level ensures that there is no disconnect at any level of management in the continued delivery of force performance and ambitions.
- ✓ Objectives within the Ambition Plan are defined within the WMP Conversations (PDR objectives) of each executive team member and cascaded throughout the organisation's approach to performance management.
- ✓ Performance management forms part of the Force governance arrangements. Performance information is scrutinised by the Force Executive Team via the boards they chair and the Quarterly Performance Reviews (QPRs) they hold. Deep dives of performance take place at the most senior level of the organization.
- ✓ The DDI performance dashboards provide detailed performance improvement information to supervisor level and above.
- ✓ Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) independently assesses operational policing processes and reports the performance of the Force at a national level. The Force considers carefully any HMICFRS recommendations and acts upon them.
- ✓ Strong public financial management is evidenced through the following strategies and reports:
  - Benefit Realisation plans
  - Annual Financial Strategy
  - Budget Monitoring reports
  - Annual Statement of Accounts
  - Treasury Management Statement
  - HMICFRS Value for Money Profile



## 10. Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Evidence to demonstrate Principle G includes;

- ✓ 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 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.
- ✓ All major change and transformation programmes and projects have their own project boards and adhere to consistent force change control processes which include addressing risk management and mitigation.
- ✓ An External Audit function reports to "those charged with governance" in respect of the Annual Accounts to ensure they are prepared in accordance with legislation, accounting standards and good practice. As well as issuing a statutory opinion on the accounts they also issue a statutory opinion on the Chief Constables arrangements for securing value for money, measured as economy, efficiency and effectiveness, which sits alongside the HMICFRS assessment work.
- ✓ This Annual Governance Statement is published alongside the Statement of Accounts
- ✓ Regular publication (subject to confidentiality tests) of reports presented to the Strategic Policing and Crime Board.

## 11. Review of effectiveness

The Chief Constable has responsibility for an annual review of the effectiveness of the Governance Framework. The review of effectiveness is informed by the work of the Force Executive Team within West Midlands Police, who have responsibility for the development and maintenance of the governance environment, the Internal Audit 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 governance framework of the Force has continued to be embedded during 2018/19 to reflect the changes in the Force structure as per the WMP2020 programme. WMP2020 programme continues to have its own governance arrangements to enable the programme to be delivered effectively.

During 2018/19 an additional two thematic boards have been formed, 'Citizens in Policing' and 'Vulnerability and Exploitation', in recognition of key areas of the Police and Crime Plan and the Force Ambition Plan that were not being governed via the thematic boards already in place.

To increase understanding and improve transparency around force governance, a 'Governance and Knowledge' portal has been developed where all staff and officers are able to access key governance documents such as Board terms of references, actions and decisions and summaries of meetings.

### **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 2018/19 Internal Audit programme can be found [here](#).

A high level review of the force Governance Framework to ensure that it is operating effectively and has been embedded into business as usual across the force was agreed as part of the annual internal audit plan for 2018/19.

The review focused solely on the governance arrangements within the force and not the wider joint governance arrangements of the West Midlands Police and the Police and Crime Commissioner.

An overall opinion of **Reasonable** was given to the area reviewed. The opinion reflects the good framework that has been established, recognising that some boards are still in their infancy. Minor recommendations have been made in respect of the terms of reference of the boards, and also to promote the framework and improve transparency across the force of minutes and actions arising from meetings. There are a number of good practice points noted that have contributed to the opinion, all of which present a positive direction of travel.

### **Joint Corporate Governance Board**

As per the Code of Corporate Governance it has been jointly agreed, with the Commissioner, for the Joint Corporate Governance Board to meet in April 2019 to review the draft version of this AGS. Membership will



consist of senior staff representing both the Police and Crime Commissioner and the Chief Constable. In addition the group will review the corporate governance framework and oversee its implementation.

## 12. Significant governance issues 2017/18

It should be noted that governance issues facing the organisation are not necessarily a result of weaknesses within the internal control framework.

In the 2017/18 Annual Governance Statement it was highlighted that the introduction of General Data Protection Regulations (GDPR) and Force Management Statements (FMS) may impact on how the Force operates.

In relation to GDPR the Information Commissioner's Office (ICO) identified 7 key areas that organisations needed to comply with and were invited into the force in July 2018 to assess GDPR readiness across 3 of the 7 areas:

- Governance & Accountability,
- Training & Awareness
- Security of Personal Data.

To supplement this assessment internal audit reviewed the remaining 4 areas:

- Records Management controls that monitor, create, maintain, store, move, retain and destroy personal data records.
- Subject Access Requests & Data Portability procedures for recognising and responding to requests for access to personal data held by the force.
- Data Sharing principles and protocols to help ensure staff and officers are aware of what information should be shared and how.
- Information Risk and Data Privacy Impact Assessments (DPIAs), including the process for managing information risk and adopting a 'privacy by design' approach to assess and manage the impact of personal data related risks on the force

The internal audit review gave an overall opinion of **Reasonable**. It recognised that GDPR is a work in progress and good progress has been made, and continues to be made, to ensure that force policies, procedures and working practices comply with GDPR.

The FMS was successfully produced and the Force will consider the learning from preparing this year's FMS, to inform the approach for 2019/20. It is anticipated that the data used this year will be enhanced in sophistication and ultimately the methodology programmed into the Data Driven Insight analytics.

## 13. Significant governance issues looking forward to 2019/20

There are various financial pressures emerging in 2019/20, some with a greater degree of certainty than others, these include:

- Increased pension employer contributions, which have been partly offset by additional grant funding. There remains a lack of clarity as to whether this additional funding will be made a permanent increase to Force funding.
- Flexibility to increase precept levels was greater than originally anticipated, which, coupled with greater efficiency savings has allowed the Force to increase officer numbers over the next two years. There remains a lack of clarity around future precept flexibility which becomes a challenge to medium term financial planning (MTFP) and longer term sustainability of officer numbers.
- Additional funding will be allocated to those Forces faced by significant demand from violent (predominantly knife related) crime. At time of writing the terms of this funding and allocations are not clear.



- The impact of Brexit on both Force demand and supply chain is being monitored and governed closely and will continue to be so throughout 2019/20.
- A revised MTFP will be prepared early in the financial year which will outline the above pressures and model the impact of a range of scenario's including a sensitivity analysis. This will be reported through the Police and Crime Board.

Regular budget monitoring will report spend and funding against budgetary plans in year. These issues and further emerging issues will be monitored through the current governance bodies already in place.

In addition to the financial pressures, WMP2020 will be delivering a number of significant IT changes, in the form of an overhaul of our current duty management system and replacement of the command and control system. The programmes have their own project boards and adhere to consistent force change control processes which include addressing risk management and mitigation.

#### **14. Conclusion and Commitment Statement**

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 governance.

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. In any event the governance arrangements of the PCC and the Chief Constable will remain under constant review in the forthcoming financial year.

#### **Signed**

Dave Thompson  
Chief Constable of West Midlands Police

Neil Chamberlain.  
Director of Commercial Services West Midlands



## **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 2019.

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 2019 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: 31 July 2019



## **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 31 July 2019, in accordance with regulation 9 of the Accounts and Audit Regulations 2015.

Dave Thompson  
Chief Constable of West Midlands Police  
Date: 31 July 2019





## Independent auditor's report to the Chief Constable of West Midlands Police









## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE CHIEF CONSTABLE 2018-19

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.

| 2017-18<br>Gross<br>Exp<br>£'000 | 2017-18<br>Gross Income<br>£'000 | 2017-18<br>Net Exp<br>£'000 | Note   | 2018-19<br>Gross<br>Exp<br>£'000 | 2018-19<br>Gross<br>Income<br>£'000 | 2018-19<br>Net Exp<br>£'000 |         |
|----------------------------------|----------------------------------|-----------------------------|--|----------------------------------|-------------------------------------|-----------------------------|---------|
| 706,482                          | (87,358)                         | 619,124                     | Financial Resources consumed                           | 704,067                          | (85,466)                            | 618,601                     |         |
| 13,298                           | (221)                            | 13,077                      | WMP 2020 Projects                                      | 24,589                           | (5,467)                             | 19,121                      |         |
| <b>719,780</b>                   | <b>(87,579)</b>                  | <b>632,201</b>              | <b>Total Financial Resources consumed</b>              | <b>728,656</b>                   | <b>(90,933)</b>                     | <b>637,722</b>              |         |
| <b>0</b>                         | <b>(545,072)</b>                 | <b>(545,072)</b>            | <b>PCC Funding for Financial Resources Consumed</b>    | <b>0</b>                         | <b>(554,492)</b>                    | <b>(554,492)</b>            |         |
| <b>719,780</b>                   | <b>(632,651)</b>                 | <b>87,129</b>               | <b>NET COST - POLICING SERVICES</b>                    | <b>728,656</b>                   | <b>(645,425)</b>                    | <b>83,321</b>               |         |
| 197,257                          | 0                                | 197,257                     | Net Pension Interest Cost                              | 17                               | 194,387                             | 0                           | 194,387 |
| 0                                | (90,191)                         | (90,191)                    | Pensions Top Up Grant receivable from the PCC          | 0                                | (105,920)                           | (105,920)                   |         |
| <b>197,257</b>                   | <b>(90,191)</b>                  | <b>107,066</b>              | <b>Financing and Investment Income and Expenditure</b> | <b>194,387</b>                   | <b>(105,920)</b>                    | <b>88,467</b>               |         |
| <b>917,037</b>                   | <b>(722,842)</b>                 | <b>194,195</b>              | <b>(Surplus) or Deficit on Provision of Services</b>   | <b>923,043</b>                   | <b>(751,375)</b>                    | <b>171,697</b>              |         |
|                                  |                                  | 8,887                       | Re-measurements of the net defined benefit liability   |                                  |                                     | 191,996                     |         |
|                                  |                                  | <b>8,887</b>                | <b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>      |                                  |                                     | <b>191,996</b>              |         |
|                                  |                                  | <b>203,082</b>              | Total comprehensive Income and Expenditure             |                                  |                                     | <b>363,693</b>              |         |

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 2018-19

This statement shows the movement in the 2017-18 and 2018-19 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<br>Balance | Pensions<br>Reserve | Accumulated<br>Absences<br>Account | Total<br>Reserves |
|--|-------------------------|---------------------|------------------------------------|-------------------|
|  | £'000                   | £'000               | £'000                              | £'000             |
| <b>Balance as at 01 April 2017</b>   | <b>0</b>                | <b>7,437,675</b>    | <b>3,573</b>                       | <b>7,441,248</b>  |
| <b>Total Comprehensive Income and Expenditure</b>                                | <b>194,195</b>          | <b>8,887</b>        | <b>0</b>                           | <b>203,083</b>    |
| 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                 |
| <b>Adjustments between accounting basis and funding basis under regulations</b>  | <b>(200,150)</b>        | <b>199,945</b>      | <b>206</b>                         | <b>0</b>          |
| Net increase or (decrease)   | (5,955)                 | 208,832             | 206                                | 203,083           |
| <b>Balance as at 31 March 2018</b>   | <b>(5,955)</b>          | <b>7,646,507</b>    | <b>3,779</b>                       | <b>7,644,331</b>  |
| <b>Balance as at 01 April 2018</b>   |                         |                     |                                    |                   |
| <b>Total Comprehensive Income and Expenditure</b>                                | <b>171,697</b>          | <b>191,996</b>      | <b>0</b>                           | <b>363,693</b>    |
| Actual Amounts charged against the pensions fund for the year                    | 79,141                  | (79,141)            | 0                                  | 0                 |
| Difference in pension costs between accounting basis and funding basis           | (248,368)               | 248,368             | 0                                  | 0                 |
| Difference in employee remuneration costs (between accounting and funding basis) | 523                     | 0                   | (523)                              | 0                 |
| <b>Adjustments between accounting basis and funding basis under regulations</b>  | <b>(168,704)</b>        | <b>169,227</b>      | <b>(523)</b>                       | <b>0</b>          |
| Net increase or (decrease)   | 2,993                   | 361,223             | (523)                              | 363,693           |
| <b>Balance as at 31 March 2019</b>   | <b>(2,962)</b>          | <b>8,007,730</b>    | <b>3,255</b>                       | <b>8,008,023</b>  |



## BALANCE SHEET FOR THE CHIEF CONSTABLE 2018-19

The Balance Sheet for the Chief Constable of West Midlands Police shows the value as at 31 March 2019 (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 2018 | As at 31 March 2019 | Notes |
|--|---------------------|---------------------|-------|
|  | £'000               | £'000               |       |
| <b>Long Term Assets</b>                              | 0                   | 0                   |       |
| <b>Total Long term Assets</b>                        | <u>0</u>            | <u>0</u>            |       |
| <b>Current Assets</b>                                | 0                   | 0                   |       |
| <b>Total Current Assets</b>                          | <u>0</u>            | <u>0</u>            |       |
| <b>Current Liabilities</b>                           |                     |                     |       |
| Short Term Creditors                                 | (3,779)             | (3,255)             | 16    |
| <b>Total Current Liabilities</b>                     | <u>(3,779)</u>      |                     |       |
| <b>Long term Liabilities</b>                         |                     |                     |       |
| Liability relating to defined benefit pension scheme | (7,640,552)         | (8,004,768)         | 17    |
| <b>Total Long term Liabilities</b>                   | <u>(7,640,552)</u>  | <u>(8,004,768)</u>  |       |
| <b>Net Assets/(Liabilities)</b>                      | <u>(7,644,331)</u>  | <u>(8,008,023)</u>  |       |
| <b>Reserves</b>                                      |                     |                     |       |
| Usable Reserves                                      | (5,955)             | (2,962)             |       |
| Unusable Reserves                                    | 7,650,286           | 8,010,985           | 17    |
| <b>Total reserves</b>                                | <u>7,644,331</u>    | <u>8,008,023</u>    |       |

The unusable reserves consist of a reserve for short term compensated absences of £3.3m and pension reserves of 8,007.7m.







## **NOTES TO THE ACCOUNTS**

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## NOTES TO THE ACCOUNTS

### 1. STATEMENT OF ACCOUNTING POLICIES

#### General Principles

The Statement of Accounts summarises the Force's transactions for the 2018-19 financial year and its position at the year end of 31 March 2019. 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 2018-19 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 2018-19 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. Unitised securities – current bid price
  - iv. Property – market value
- e. The change in the net pensions liability is analysed into the following components:
  - i. *Current service cost* – the increase in liabilities as a result to years of service earned this year
  - ii. *Past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – this is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs



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

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

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

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

#### **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 2018-19 (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 16 Leases**

The IASB issued IFRS 16 Leases in January 2016. The standard has an effective date of 01 January 2019 and was due to be adopted in the Code in the 2019/20 financial year. Following decisions taken at the meeting of the government's Financial Reporting Advisory Board (FRAB) on 22 November 2018 to defer implementation for the majority of rest of the public sector, the Local Authority accounting Code Board has agreed to delay implementation until 1 April 2020.

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 32 to 35 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 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 2019 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 2019 is £8,005m (£7,641m in 2017-18) 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

| 2017-18<br>Net<br>Expenditure<br>Chargeable<br>to the<br>General<br>Fund<br>Balance<br>£'000 | 2017-18<br>Adjustments<br>between<br>Funding and<br>Accounting<br>Basis<br>£'000 | 2017-18<br>Net<br>Expenditure in<br>the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement<br>£'000 | Chief Constable                 | 2018-19<br>Net<br>Expenditure<br>Chargeable<br>to the<br>General<br>Fund<br>Balance<br>£'000 | 2018-19<br>Adjustments<br>between<br>Funding and<br>Accounting<br>Basis<br>£'000 | 2018-19<br>Net<br>Expenditure in<br>the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement<br>£'000 |
|--|--|---|---------------------------------|--|--|---|
| <b>Chief Constable</b>   |  |   |                                 |  |  |   |
| 526,040  | 93,084   | 619,124   | Chief Constable                 | 534,742  | 83,859   | 618,601   |
| 13,077   | 0  | 13,077  | WMP2020 Projects                | 17,044   | 2,077  | 19,121  |
| (545,072)  | 0  | (545,072)   | Funding from the PCC            | (548,789)  | (5,703)  | (554,492)   |
| <b>(5,955)</b>   | <b>93,084</b>  | <b>87,129</b>   | <b>Net Cost of Services</b>     | <b>2,993</b>   | <b>80,233</b>  | <b>83,230</b>   |
| 0  | 107,066  | 107,066   | Other Income and<br>Expenditure | 0  | 88,467   | 88,467  |
| <b>(5,955)</b>   | <b>200,150</b>   | <b>194,195</b>  | <b>Surplus or Deficit</b>       | <b>2,993</b>   | <b>168,704</b>   | <b>171,697</b>  |

|   | <b>Chief Constable</b> |                |
|---|------------------------|----------------|
|   | <b>2017-18</b>         | <b>2018-19</b> |
| <b>Opening General Fund Balance</b>                     | 0                      | (5,955)        |
| <b>Less Deficit on General Fund Balance<br/>in Year</b> | (5,955)                | 2,993          |
| <b>Closing General Fund Balance at 31<br/>March</b>     | (5,955)                | (2,962)        |

### 7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

| 2017-18<br>Net Change<br>for the<br>Pensions<br>Adjustment<br>(Note 1)<br>£'000 | 2017-18<br>Other<br>Differences<br>(Note 2)<br>£'000 | 2017-18<br>Total<br>Adjustments<br>between<br>Funding and<br>Accounting<br>Basis<br>£'000 | Chief Constable                 | 2018-19<br>Net Change<br>for the<br>Pensions<br>Adjustment<br>(Note 1)<br>£'000 | 2018-19<br>Other<br>Differences<br>(Note 2)<br>£'000 | 2018-19<br>Total<br>Adjustments<br>between<br>Funding and<br>Accounting<br>Basis<br>£'000 |
|---|--|---|---------------------------------|---|--|---|
| <b>Chief Constable</b>  |  |   |                                 |   |  |   |
| 92,878  | 206  | 93,084  | Chief Constable                 | 80,756  | (523)  | 80,233  |
| 0   |  | 0   | WMP2020 Projects                | 0   | 0  | 0   |
|   |  | 0   | Funding from the PCC            | 0   | 0  | 0   |
| <b>92,878</b>   | <b>206</b>   | <b>93,084</b>   | <b>Net Cost of Services</b>     | <b>80,756</b>   | <b>(523)</b>   | <b>80,233</b>   |
| 107,066   |  | 107,066   | Other Income and<br>Expenditure | 88,471  | 0  | 88,471  |
| <b>199,944</b>  | <b>206</b>   | <b>200,150</b>  | <b>Surplus or Deficit</b>       | <b>169,227</b>  | <b>(523)</b>   | <b>168,704</b>  |

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

| 2017-18<br>£'000 |  | 2018-19<br>£'000 |
|------------------|--|------------------|
| 433,865          | Financial Resources of the PCCWM consumed at the request of the Chief Constable              |                  |
| 157,317          | Police Pay and Allowances  | 433,521          |
| 5,948            | Police Staff and PCSO Pay and Allowances   | 159,491          |
|                  | Other Employee Expenses  | 6,733            |
| <b>597,130</b>   | <b>Sub Total Employee Costs</b>  | <b>599,745</b>   |
| 19,044           | Premises Related Costs   | 19,034           |
| 9,232            | Transport/Travel Costs   | 10,260           |
| 57,946           | Supplies and Services  | 74,584           |
| 20,484           | Agency Expenses  | 12,993           |
| 10,442           | Capital Financing Costs  | 11,382           |
| (87,578)         | Income   | (90,934)         |
| 5,501            | Non distributed costs  | 657              |
| <b>632,201</b>   | <b>Total Financial Resources of the PCCWM consumed at the request of the Chief Constable</b> | <b>637,721</b>   |
| <b>(545,072)</b> | <b>PCC funding for financial resources consumed</b>  | <b>(554,492)</b> |
| 87,129           | <b>Net Cost of Policing Services</b>   | 83,230           |
| 107,066          | Financing and investment income and expenditure  | 88,467           |
| <b>194,195</b>   | <b>Deficit on the provision of services</b>  | <b>171,697</b>   |
| 8,887            | Other Comprehensive Income and Expenditure   | 165,834          |
| <b>203,082</b>   | <b>Net Comprehensive Income and Expenditure</b>  | <b>337,081</b>   |

Police Staff and PCSO Pay and Allowances have seen FTE numbers remaining fairly static during the year, the increase of £2.2m in primarily linked to the 2% pay award received in year.

The over spend on other employee expenses is in relation to the 1987 Police Pension Scheme. The Scheme Sanction Charge is a 15% tax charge on the police pension scheme when member's take the 25% one off lump sum payment of their pension. £453k relates to historic costs.

Transport and Travel costs have increased in 2018-19 in 3 main areas:

- Travel expenses has seen an increase of £170k, a review of travel expenses will be carried out in 2019/20 to determine what is causing the expenditure to increase, understanding processes and behaviours.
- Vehicle fuel has increase by £658k, this is a mixture of increased prices and an increase in the number of fleet vehicles.
- Vehicle repairs and maintenance has increased in £282k, again this is a mix of the cost of vehicle parts has increased by around 7% over the year, and an increase in the number of fleet vehicles we maintain.

Spend within Supplies and Services has increase over the year by £16.6m. There are a number of factors that contribute to this increase and they are primarily linked to the MWP2020 programme of work:

- We have seen an increase in our ICT licences and support and maintenance contracts linked to the investment in technology through the WMP2020 programme of work (£5.1m)



- Increase in professional services of £5.4m linked to the 2 major technology projects that are currently live; Connect and Data Driven Insight.
- The Taser project saw an upfront purchase of the new X2 Taser device and cartridges to replace the exist X26 device which has been discontinued by the manufacturer (£2.8m). The new devices will be rolled out to all existing Taser users and additional teams.
- National Data Analytics Solutions (£1.3m)

In addition to project related increases an increase in major investigations during the year has contributed to an increase in expenditure across Pathologists fees and external forensic services. Additional grant received by CBRN have allowed additional specialist equipment to be purchased.

Agency expenses has reduced by £7.5m, this is linked to a change in the accounting treatment for the Regional Organised Crime Unit Collaboration costs. Rather than show all collaboration costs within the WMP general ledger we balance the required contributions to ROCU offline and only include the net position on WMP in the general ledger. This has also seen a reduction in reimbursed services from other forces income of £6.3m.

External income has increased by £3.4m, this is £8.9m additional home office income received during the year offset by the reduction in reimbursed services from other forces mentioned above. The main areas of home office income are:

- National Data Analytics Solution (£1.4m), which mainly offsets additional professional services expenditure mentioned above
- CBRN funding additional specialist equipment (£3.0m)
- £2.1m additional CTU grant
- £1.7m for policing the Conservative Party Conference



## 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.

| 2017-18<br>Police Officers | 2017-18<br>Police Staff | 2017-18<br>Total | Earnings Band       | 2018-19<br>Police Officers | 2018-19<br>Police Staff | 2018-19<br>Total |
|----------------------------|-------------------------|------------------|---------------------|----------------------------|-------------------------|------------------|
| 5,877                      | 3,987                   | 9,864            | Less than £49,999   | 5,787                      | 3,872                   | 9,659            |
| 420                        | 33                      | 453              | £50,000 - £54,999   | 437                        | 39                      | 476              |
| 242                        | 12                      | 254              | £55,000 - £59,999   | 231                        | 27                      | 258              |
| 52                         | 14                      | 66               | £60,000 - £64,999   | 60                         | 11                      | 71               |
| 30                         | 5                       | 35               | £65,000 - £69,999   | 23                         | 13                      | 36               |
| 19                         | 5                       | 24               | £70,000 - £74,999   | 21                         | 3                       | 24               |
| 15                         | 3                       | 18               | £75,000 - £79,999   | 11                         | 4                       | 15               |
| 10                         | 0                       | 10               | £80,000 - £84,999   | 15                         | 0                       | 15               |
| 10                         | 3                       | 13               | £85,000 - £89,999   | 11                         | 1                       | 12               |
| 3                          | 1                       | 4                | £90,000 - £94,999   | 7                          | 2                       | 9                |
| 1                          | 0                       | 1                | £95,000 - £99,999   | 0                          | 0                       | 0                |
| 1                          | 1                       | 2                | £100,000 - £104,999 | 2                          | 1                       | 3                |
| 0                          | 0                       | 0                | £105,000 - £109,999 | 1                          | 0                       | 1                |
| 0                          | 0                       | 0                | £110,000 - £114,999 | 0                          | 0                       | 0                |
| 1                          | 0                       | 1                | £115,000 - £119,999 | 2                          | 0                       | 2                |
| 0                          | 1                       | 1                | £120,000 - £124,999 | 0                          | 0                       | 0                |
| 0                          | 0                       | 0                | £125,000 - £129,999 | 0                          | 1                       | 1                |
| 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                |
| 1                          | 0                       | 1                | £145,000 - £149,999 | 0                          | 0                       | 0                |
| 0                          | 0                       | 0                | £150,000 - £154,999 | 1                          | 0                       | 1                |
| 0                          | 0                       | 0                | £155,000 - £159,999 | 0                          | 0                       | 0                |
| 0                          | 0                       | 0                | £160,000 - £164,999 | 0                          | 0                       | 0                |
| 0                          | 0                       | 0                | £165,000 - £169,999 | 0                          | 0                       | 0                |
| 0                          | 0                       | 0                | £170,000 - £174,999 | 0                          | 0                       | 0                |
| 0                          | 0                       | 0                | £175,000 - £179,999 | 0                          | 0                       | 0                |
| 0                          | 0                       | 0                | £180,000 - £184,999 | 0                          | 0                       | 0                |
| 0                          | 0                       | 0                | £185,000 - £189,999 | 0                          | 0                       | 0                |
| 1                          | 0                       | 1                | £190,000 - £194,999 | 0                          | 0                       | 0                |
| 0                          | 0                       | 0                | £195,000 - £199,999 | 1                          | 0                       | 1                |
| <b>6,683</b>               | <b>4,065</b>            | <b>10,748</b>    | <b>Totals</b>       | <b>6,610</b>               | <b>3,974</b>            | <b>10,584</b>    |



## 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 2018-19

| Post holder information                         | Notes | Salary (inc fees and allowances) | Benefits in Kind | Total remuneration (Exc employer pension contributions) | Employers pension contributions | Total Remuneration (Inc. employers pension contributions) |
|---|-------|----------------------------------|------------------|---|---------------------------------|---|
|   |       | £'000                            | £'000            | £'000   | £'000                           | £'000   |
| <b>Chief Constable for West Midlands Police</b> |       |                                  |                  |   |                                 |   |
| Chief Constable D Thompson                      |       | 196.1                            | 4.2              | 200.3   | 41.1                            | 241.4   |
| Deputy Chief Constable                          |       | 151.3                            | 4.7              | 156   | 31                              | 187   |
| Assistant Chief Constable (1)                   | 1     | 29.5                             | 5.7              | 35.2  | 1.2                             | 36.4  |
| Assistant Chief Constable (2)                   | 2     | 110.1                            | 4.1              | 114.2   | 24                              | 138.2   |
| Assistant Chief Constable (3)                   | 3     | 1                                | 1.5              | 2.5   | 0                               | 2.5   |
| Assistant Chief Constable (4)                   | 4     | 79.5                             | 0                | 79.5  | 16.9                            | 96.4  |
| Assistant Chief Constable (5)                   | 5     | 7.7                              | 2.9              | 10.6  | 1.5                             | 12.1  |
| Assistant Chief Constable (6)                   | 6     | 105.4                            | 0                | 105.4   | 21.6                            | 127   |
| Assistant Chief Constable (7)                   |       | 116.1                            | 0                | 116.1   | 23.8                            | 139.9   |
| Assistant Chief Constable (8)                   | 7     | 38.5                             | 0                | 38.5  | 7.8                             | 46.3  |
| Assistant Chief Constable (9)                   | 8     | 27.8                             | 0                | 27.8  | 5.7                             | 33.5  |
| Director of Commercial Services                 |       | 104.9                            | 7.7              | 112.6   | 17.7                            | 130.3   |
| Director of People & Organisation Development   |       | 129.6                            | 0                | 129.6   | 19.3                            | 148.9   |
| <b>Total:</b>                                   |       | <b>1,097.5</b>                   | <b>30.8</b>      | <b>1,128.3</b>  | <b>211.6</b>                    | <b>1,339.9</b>  |

Benefits in kind in the draft Statement of Accounts are estimated values. Actual values from P11D information will appear in the audited Statement of Accounts

#### Notes:

- ACC (1) vacated his role of Assistant Chief Constable on 18th April 2018.
- ACC (2) vacated his role of Assistant Chief Constable on 17th December 2018.
- ACC (3) vacated her role of Assistant Chief Constable on 31st July 2017.
- ACC (4) commenced temporary role of Assistant Chief Constable on 19th September 2016 and vacated his role on 12th August 2018.
- ACC (5) commenced temporary role of Assistant Chief Constable on 8th January 2018 and vacated his role on 23th April 2018.



6. ACC (6) commenced temporary role of Assistant Chief Constable on 13th November 2017 and has been made permanent on 24th April 2018.
7. ACC (8) commenced temporary role of Assistant Chief Constable on 13th August 2018 and vacated her role in late December 2018.
8. ACC (9) commenced role of Assistant Chief Constable in late December 2018.

### Senior Officers' remuneration in 2017-18

| Post holder information                       | Note | Salary (inc fees and allowances)<br>(£000) | Benefit in Kind<br>(£000) | Total remuneration (Exc employer pension contributions)<br>(£000) | Employers pension contributions<br>(£000) | Total Remuneration (Inc. employers pension contributions)<br>(£000) |
|---|------|--|---------------------------|---|---|---|
| Chief Constable D Thompson                    |      | 193.0                                      | 4.2                       | 197.2   | 40.5                                      | 237.7   |
| Deputy Chief Constable                        |      | 149.0                                      | 4.7                       | 153.7   | 31.0                                      | 184.7   |
| Assistant Chief Constable (1)                 |      | 137.1                                      | 5.7                       | 142.8   | 24.0                                      | 166.8   |
| Assistant Chief Constable (2)                 |      | 115.6                                      | 4.1                       | 119.7   | 24.3                                      | 144.0   |
| Assistant Chief Constable (3)                 | 1    | 38.2                                       | 1.5                       | 39.7  | 7.6                                       | 47.3  |
| Assistant Chief Constable (4)                 |      | 101.5                                      | 0.0                       | 101.5   | 21.6                                      | 123.1   |
| Assistant Chief Constable (5)                 | 2    | 17.0                                       | 2.9                       | 19.9  | 3.0                                       | 22.9  |
| Assistant Chief Constable (6)                 | 3    | 33.6                                       | 0.0                       | 33.6  | 6.1                                       | 39.7  |
| Director of Commercial Services               | 4    | 95.0                                       | 7.7                       | 102.7   | 16.0                                      | 118.7   |
| Director of People & Organisation Development |      | 123.0                                      | 0.0                       | 123.0   | 18.6                                      | 141.6   |
| <b>Total</b>                                  |      | <b>1,003.0</b>                             | <b>30.8</b>               | <b>1,033.8</b>  | <b>192.7</b>                              | <b>1,226.5</b>  |

Notes:

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





## 11. TERMINATION BENEFITS

The 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 |               |
|-------------------|--------------------------------|----------|--------------------------------|-----------|---|-----------|--|---------------|
|                   | 2017-18                        | 2018-19  | 2017-18 restated               | 2018-19   | 2017-18 restated                        | 2018-19   | 2017-18 £'000                            | 2018-19 £'000 |
| £0 - £19,999      | 5                              | 4        | 18                             | 14        | 23                                      | 18        | 189                                      | 170           |
| £20,000 - £39,999 | 2                              | 3        | 4                              | 2         | 6                                       | 5         | 169                                      | 159           |
| £40,000 - £59,999 | 1                              | 0        | 5                              | 3         | 6                                       | 3         | 285                                      | 134           |
| £60,000 - £79,999 | 1                              | 0        | 1                              | 0         | 2                                       | 0         | 142                                      | 0             |
| £80,000 - £99,999 | 0                              | 0        | 1                              | 1         | 1                                       | 1         | 87                                       | 97            |
| £100,000 +        | 0                              | 1        | 1                              | 2         | 1                                       | 3         | 134                                      | 545           |
| <b>Total</b>      | <b>9</b>                       | <b>8</b> | <b>30</b>                      | <b>22</b> | <b>39</b>                               | <b>30</b> | <b>1,006</b>                             | <b>1,105</b>  |

Exit packages from 2017-18 have been re-stated to include pension strain payments which were not paid until 2018-19.

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 2019 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 2017-18 and two in 2018-19 who left the Office for the Police and Crime Commissioner.

## 12. EXTERNAL AUDIT COSTS

In 2018-19 the Chief Constable incurred the following fees relating to external audit:

|   | 2017-18<br>£'000 | 2018-19<br>£'000 |
|---|------------------|------------------|
| Fees payable to Grant Thornton UK LLP with regard to audit services carried out by the appointed auditor                          | 23               | 17               |
| Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor or a prior year | 0                | 8                |
| Fees payable in respect of other services provided by the appointed auditor   | 0                | 17               |

The appointed auditor in 2017-18 was Grant Thornton UK LLP. The audit fee for the Chief Constable's accounts for the year was £17,325. Additional fees were charged for work done relating to the 2017-18 accounts and a review carried out in 2016-17 was invoiced for in 2018-19.



### 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.

|  | 2017-18 | 2018-19 |
|--|---------|---------|
|  | £'000   | £'000   |
| <b><i>Credited to Taxation and Non Specific Grant Income</i></b> |         |         |
| Pensions top up grant receivable                                 | 90,191  | 105,920 |
| Total  | 90,191  | 105,920 |
| <b><i>Credited to Police Services</i></b>                        |         |         |
| Loan Charges Grant   | 186     | 882     |
| Counter Terrorism Grant  | 48,110  | 54,761  |
| Other Grants   | 6,526   | 8,756   |
|  | 54,822  | 64,399  |

### 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 £22.9m were made to them in 2018-19 (£30.6m in 2017-18)

#### Officers

No Chief Officers of the Force have declared any related party transactions in 2018-19.



## 15. AGENCY EXPENDITURE

|                                 | 31 March<br>2018<br>£'000 | 31 March<br>2019<br>£'000 |
|---------------------------------|---------------------------|---------------------------|
| Levies                          | 4,557                     | 4,243                     |
| Government Departments          | 144                       | 255                       |
| NHS Bodies                      | 50                        | 83                        |
| Other Local Authorities         | 13,586                    | 6,158                     |
| All other bodies                | 2,147                     | 2,254                     |
| <b>Total agency expenditure</b> | <b>20,484</b>             | <b>12,993</b>             |

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



## 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<br>2018<br>£'000 | 31 March<br>2019<br>£'000 |
|--|---------------------------|---------------------------|
| Balance at 1 April   | 7,437,675                 | 7,646,507                 |
| Remeasurements of the net defined benefit liability or asset   | 8,887                     | 191,996                   |
| 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 | 275,846                   | 248,368                   |
| Employers' pensions contributions and direct payments to pensioners payable in the year  | (75,901)                  | (79,141)                  |
| <b>Balance as at 31 March</b>  | <b>7,646,507</b>          | <b>8,007,730</b>          |

#### Accumulating Compensated Absences Adjustment Account

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

|   | 2017-18<br>£'000 | 2018-19<br>£'000 |
|---|------------------|------------------|
| <b>Balance at 1 April</b>   | <b>3,573</b>     | <b>3,779</b>     |
| Settlement or cancellation of accrual made at the end of the previous year  | 0                | 0                |
| Amounts accrued at the end of the current year  | 3,573            | 3,779            |
| 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 | 206              | (523)            |
| <b>Balance at 31 March</b>  | <b>3,779</b>     | <b>3,255</b>     |



## 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

| 2018-19  | Local Government Pension Scheme CC element<br>£'000 | 1987 Police Pension Scheme<br>£'000 | Police Injury Awards<br>£'000 | 2006 Police Pension Scheme<br>£'000 | 2015 Police Pension Scheme<br>£'000 | Total<br>£'000   |
|--|---|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------------|------------------|
| <u>Net cost of services:</u>   |   |                                     |                               |                                     |                                     |                  |
| Current Service Cost   | (34,885)  | (36,720)                            | (5,260)                       | (1,830)                             | (80,550)                            | <b>(159,245)</b> |
| Past service (cost) / gain   | 0   | 0                                   | 0                             | 0                                   | 0                                   | <b>0</b>         |
| Curtailments   | (657)   | 0                                   | 0                             | 0                                   | 0                                   | <b>(657)</b>     |
| <u>Financing and Investing Income &amp; Expenditure:</u>   |   |                                     |                               |                                     |                                     |                  |
| Net Interest cost  | (8,465)   | (166,280)                           | (2,810)                       | (8,410)                             | (8,150)                             | <b>(194,115)</b> |
| Administration cost  | (272)   | 0                                   | 0                             | 0                                   | 0                                   | <b>(272)</b>     |
| <b>Total post-employment benefits charged to the surplus or deficit on the provision of Services</b> | <b>(44,279)</b>                                     | <b>(203,000)</b>                    | <b>(8,070)</b>                | <b>(10,240)</b>                     | <b>(88,700)</b>                     | <b>(354,289)</b> |
| Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement         | 0   | 0                                   | 0                             | 0                                   | 0                                   | <b>0</b>         |
| <u>Re-measurements of the net defined benefit liability/asset comprising:</u>                        |   |                                     |                               |                                     |                                     |                  |
| Return on plan assets (excluding the amount included in the net interest cost)                       | 7,161   | 0                                   | 0                             | 0                                   | 0                                   | <b>7,161</b>     |
| Actuarial gains and losses arising on changes in demographic assumptions                             | 56,944  | 0                                   | 0                             | 0                                   | 0                                   | <b>56,944</b>    |
| Actuarial gains and losses arising on changes in financial assumptions                               | (53,461)  | (191,280)                           | (1,650)                       | (17,740)                            | (20,110)                            | <b>(284,241)</b> |
| Experience gains and losses arising on the pension liabilities                                       | 0   | 24,290                              | 5,020                         | 7,010                               | (8,370)                             | <b>28,150</b>    |
| <b>Net charge to CIES</b>  | <b>(33,635)</b>                                     | <b>(369,790)</b>                    | <b>(4,700)</b>                | <b>(20,970)</b>                     | <b>(117,180)</b>                    | <b>(546,275)</b> |



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





## Movement in Reserves Statement

| 2018-19   | Local Government Pension Scheme CC element<br>£'000 | 1987 Police Pension Scheme<br>£'000 | Police Injury Awards<br>£'000 | 2006 Police Pension Scheme<br>£'000 | 2015 Police Pension Scheme<br>£'000 | Total<br>£'000   |
|---|---|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------------|------------------|
| Reversal of Net Charges for retirement benefits in accordance with IAS 19               | 44,279  | 203,000                             | 8,070                         | 10,240                              | 88,700                              | <b>354,289</b>   |
| <b>Actual amount charged against the General Fund balance for pensions in the year:</b> |   |                                     |                               |                                     |                                     |                  |
| Employer's contributions payable to the scheme  | (17,779)  | 0                                   | 0                             | 0                                   | 0                                   | <b>(17,779)</b>  |
| Retirement benefits payable to pensioners (net of employee contributions)               | 0   | (183,830)                           | (2,890)                       | (500)                               | 21,670                              | <b>(165,550)</b> |

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

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 28 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:

| 2018-19   | Funded liabilities:<br>LGPS CC<br>element<br>£'000 | Unfunded liabilities:<br>1987 Police<br>Pension<br>Scheme<br>£'000 | Unfunded liabilities:<br>Injury<br>Awards<br>Pensions<br>£'000 | Unfunded liabilities:<br>2006 Police<br>Pension<br>Scheme<br>£'000 | Unfunded liabilities:<br>2015<br>Police Pension<br>Scheme<br>£'000 | Total<br>£'000     |
|---|--|--|--|--|--|--------------------|
| Present value of the defined benefit obligation           | (1,002,046)  | (6,779,790)  | (110,790)  | (350,040)  | (407,840)  | <b>(8,650,506)</b> |
| Fair value of plan assets                                 | 645,738  | 0  | 0  | 0  | 0  | <b>645,738</b>     |
| <b>Sub-total</b>  | <b>(356,308)</b>                                   | <b>(6,779,790)</b>   | <b>(110,790)</b>   | <b>(350,040)</b>   | <b>(407,840)</b>   | <b>(8,004,768)</b> |
| Other movements in the liability                          | 0  | 0  | 0  | 0  | 0  | <b>0</b>           |
| Net liability arising from the defined benefit obligation | <b>(356,308)</b>                                   | <b>(6,779,790)</b>   | <b>(110,790)</b>   | <b>(350,040)</b>   | <b>(407,840)</b>   | <b>(8,004,768)</b> |

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



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

| <b>2018-19</b>                                   | <b>Funded liabilities:<br/>Local Govt Pension Scheme (CC element)<br/>£'000</b> | <b>Unfunded liabilities:<br/>1987 Police Pension Scheme<br/>£'000</b> | <b>Unfunded liabilities:<br/>Injury Awards Pensions<br/>£'000</b> | <b>Unfunded liabilities: 2006 Police Pension Scheme<br/>£'000</b> | <b>Unfunded liabilities: 2015 Police Pension Scheme<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|---|---|---|---|---|------------------------|
| 1 April -18                                      | <b>(956,846)</b>  | <b>(6,593,640)</b>  | <b>(108,980)</b>  | <b>(329,040)</b>  | <b>(268,440)</b>  | <b>(8,256,946)</b>     |
| Current service cost                             | (34,885)  | (36,720)  | (5,260)   | (1,830)   | (80,550)  | (159,245)              |
| Interest cost                                    | (24,267)  | (166,280)   | (2,810)   | (8,410)   | (8,150)   | (209,917)              |
| Contributions by scheme participants             | (6,606)   | (7,830)   | 0   | (410)   | (22,880)  | (37,626)               |
| Transfers into the scheme                        | 0   | (190)   | 0   | (530)   | (540)   | (1,260)                |
| Re-measurement of the defined benefit obligation | 3,483   | (166,790)   | 3,370   | (10,730)  | (28,490)  | (199,157)              |
| Benefits paid                                    | 17,732  | 191,660   | 2,890   | 910   | 1,210   | 214,402                |
| Curtailments                                     | (657)   | 0   | 0   | 0   | 0   | (657)                  |
| Past service costs                               | 0   | 0   | 0   | 0   | 0   | 0                      |
| Other movements in the liability                 | 0   | 0   | 0   | 0   | 0   | 0                      |
| 31 March-19                                      | <b>(1,002,046)</b>  | <b>(6,779,790)</b>  | <b>(110,790)</b>  | <b>(350,040)</b>  | <b>(407,840)</b>  | <b>(8,650,506)</b>     |

| <b>2017-18</b>                                   | <b>Funded liabilities:<br/>Local Govt Pension Scheme (CC element)<br/>£'000</b> | <b>Unfunded liabilities:<br/>1987 Police Pension Scheme<br/>£'000</b> | <b>Unfunded liabilities:<br/>Injury Awards Pensions<br/>£'000</b> | <b>Unfunded liabilities: 2006 Police Pension Scheme<br/>£'000</b> | <b>Unfunded liabilities: 2015 Police Pension Scheme<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|---|---|---|---|---|------------------------|
| 1 April -17                                      | <b>(933,646)</b>  | <b>(6,512,060)</b>  | <b>(104,250)</b>  | <b>(312,600)</b>  | <b>(176,910)</b>  | <b>(8,039,466)</b>     |
| 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                                      | <b>(956,846)</b>  | <b>(6,593,640)</b>  | <b>(108,980)</b>  | <b>(329,040)</b>  | <b>(268,440)</b>  | <b>(8,256,946)</b>     |



## Reconciliation of fair value of the scheme assets:

|   | Local Government Pension Scheme CC Element<br>£'000 |                |
|---|---|----------------|
|   | 2017-18   | 2018-19        |
| 1 April   | 602,588   | 616,394        |
| Interest on plan assets   | 17,063  | 15,802         |
| Return on plan assets excluding the amount included in the net interest expense | (16,668)  | 7,161          |
| Other actuarial gains and (losses)  | 0   | 0              |
| Employer contributions  | 25,240  | 17,779         |
| Member contributions  | 5,878   | 6,606          |
| Benefits paid   | (17,442)  | (17,732)       |
| Administration expenses   | (265)   | (272)          |
| 31 March  | <b>616,394</b>                                      | <b>645,738</b> |

## History of the Scheme

|   | 2018-19            | 2017-18            | 2016-17            | 2015-16            | 2014-15            |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | £'000              | £'000              | £'000              | £'000              | £'000              |
| <b>Present value of liabilities:</b>                                    |                    |                    |                    |                    |                    |
| Local Government Pension Scheme CC element                              | (1,002,046)        | (956,846)          | (933,646)          | (710,483)          | (719,224)          |
| Local Government Pension Scheme PCC element                             | (6,957)            | (6,320)            | (5,436)            | (5,867)            | (5,382)            |
| 1987 Police Pension Scheme  | (6,779,790)        | (6,593,640)        | (6,512,060)        | (5,358,597)        | (6,292,860)        |
| Police Injury award Pensions  | (110,790)          | (108,980)          | (104,250)          | (122,840)          | (126,970)          |
| 2006 Police Pension Scheme  | (350,040)          | (329,040)          | (312,600)          | (203,890)          | (260,970)          |
| 2015 Police Pension Scheme  | (407,840)          | (268,440)          | (176,910)          | (57,480)           | 0                  |
| Fair value of assets in the Local Government Pension Scheme CC element  | 645,738            | 616,394            | 602,588            | 485,205            | 471,653            |
| Fair value of assets in the Local Government Pension Scheme PCC element | 4,603              | 4,184              | 3,379              | 3,729              | 3,278              |
| <b>Subtotal</b>   | <b>(8,007,152)</b> | <b>(7,642,688)</b> | <b>(7,438,935)</b> | <b>(5,970,223)</b> | <b>(6,930,475)</b> |
| <b>Surplus/(deficit) in the scheme:</b>                                 |                    |                    |                    |                    |                    |
| Local Government Pension Scheme CC element                              | (356,308)          | (340,452)          | (331,058)          | (225,278)          | (247,571)          |
| Local Government Pension Scheme PCC element                             | (2,384)            | (2,136)            | (2,057)            | (2,138)            | (2,104)            |
| 1987 Police Pension Scheme  | (6,779,790)        | (6,593,640)        | (6,512,060)        | (5,358,597)        | (6,292,860)        |
| Police Injury award Pensions  | (110,790)          | (108,980)          | (104,250)          | (122,840)          | (126,970)          |
| 2006 Police Pension Scheme  | (350,040)          | (329,040)          | (312,600)          | (203,890)          | (260,970)          |
| 2015 Police Pension Scheme  | (407,840)          | (268,440)          | (176,910)          | (57,480)           | 0                  |
| <b>Total</b>  | <b>(8,007,152)</b> | <b>(7,642,688)</b> | <b>(7,438,935)</b> | <b>(5,970,223)</b> | <b>(6,930,475)</b> |



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 £8,004.8m.

The liabilities show the underlying commitments that the CCWMP has in the long run to pay post-employment (retirement) benefits. The total liability of £8,004.8m 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 £8,008.0m. 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                 |         |
|  | 2017-18  | 2018-19 | 2017-18               | 2018-19 |
|  | Years  | Years   | Years                 | Years   |
| Mortality Assumptions:                                     |  |         |                       |         |
| Longevity at 65 for current pensioners:                    |  |         |                       |         |
| Men  | 21.9   | 20.9    | 22.6                  | 22.7    |
| Women  | 24.3   | 23.2    | 24.2                  | 24.6    |
| Longevity at 65 for future pensioners:                     |  |         |                       |         |
| Men  | 24.0   | 22.6    | 24.5                  | 24.6    |
| Women  | 26.6   | 25.0    | 26.1                  | 26.2    |
|  | %  | %       | %                     | %       |
| Rate of CPI inflation                                      | 2.30   | 2.40    | 2.30                  | 2.35    |
| Rate of increase in salaries                               | 3.80   | 3.90    | 4.30                  | 4.35    |
| Rate of increase in pensions                               | 2.30   | 2.40    | 2.30                  | 2.35    |
| Rate for discounting scheme liabilities                    | 2.55   | 2.40    | 2.55                  | 2.45    |
| Proportion of employees opting to take a commuted lump sum | 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                 |                                   | Impact on the defined benefit obligation in the scheme |                  |                 |
|---|-----------------------------------|--|------------------|-----------------|
|   |                                   | £000's   | £000             | £000            |
| <b>Sensitivity analysis</b>                                     |                                   |  |                  |                 |
| <b>Adjustment to the discount rate</b>                          |                                   | <b>+0.1%</b>   | <b>0%</b>        | <b>-0.1%</b>    |
|   | Present value of total obligation | 980,687  | 1,002,046        | 1,023,892       |
|   | Projected service cost            | 37,015   | 38,004           | 39,020          |
| <b>Adjustment to long term salary increase</b>                  |                                   | <b>+0.1%</b>   | <b>0%</b>        | <b>-0.1%</b>    |
|   | Present value of total obligation | 1,005,249  | 1,002,046        | 998,872         |
|   | Projected service cost            | 38,004   | 38,004           | 38,004          |
| <b>Adjustments to pension increases and deferred valuations</b> |                                   | <b>+0.1%</b>   | <b>0%</b>        | <b>-0.1%</b>    |
|   | Present value of total obligation | 1,020,668  | 1,002,046        | 983,841         |
|   | Projected service cost            | 39,019   | 38,004           | 37,014          |
| <b>Adjustment to life expectancy assumptions</b>                |                                   | <b>+ 1 year</b>  | <b>No change</b> | <b>- 1 year</b> |
|   | Present value of total obligation | 1,037,835  | 1,002,046        | 967,527         |
|   | Projected service cost            | 39,216   | 38,004           | 36,829          |

| 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)   | 195,000  | (195,000)              |
| Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%) | 624,000  | (624,000)              |
| Rate of increase in salaries (increase or decrease by 0.5%)                        | 134,000  | (134,000)              |
| Rate of discounting scheme liability (increase or decrease by 0.5%)                | 810,000  | (810,000)              |



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 £672.4m for the fund as a whole at 31 March 2019 (£616.4m at 31 March 2018). The Fund assets consist of the following categories by proportion of the total assets of the Fund:

|                           |                               |               | Fair value of assets held |                |
|---------------------------|-------------------------------|---------------|---------------------------|----------------|
|                           |                               |               | 31 March 2018             | 31 March 2019  |
| Asset category            | Sub category                  | Quoted Y or N | £'000                     | £'000          |
| Cash and cash equivalents | Cash instruments and accounts | Y             | 0                         | 0              |
|                           | Cash instruments and accounts | N             | 15,169                    | 20,450         |
| <b>Total Cash</b>         |                               |               | <b>15,169</b>             | <b>20,450</b>  |
| Equity Instruments        | UK quoted                     | Y             | 98,491                    | 86,537         |
|                           | UK unquoted                   | N             | 1,847                     | 0              |
|                           | Overseas quoted               | Y             | 260,386                   | 52,955         |
|                           | Overseas unquoted             | N             | 33,241                    | 166,616        |
|                           | Index Futures                 | Y             | 0                         | 32,936         |
|                           | Private Unquoted              | N             | 0                         | 42,623         |
| <b>Total equity</b>       |                               |               | <b>393,965</b>            | <b>381,667</b> |
| Bonds                     | UK Government fixed           | Y             | 0                         | 0              |
|                           | UK Government fixed           | N             | 6,787                     | 7,082          |
|                           | UK Government indexed         | Y             | 34,553                    | 37,986         |
|                           | UK Government indexed         | N             | 0                         | 0              |
|                           | UK Other                      | Y             | 0                         | 6,438          |
|                           | UK Other                      | N             | 23,580                    | 25,109         |
|                           | Overseas other                | Y             | 0                         | 6,438          |
|                           | Overseas other                | N             | 3,702                     | 3,863          |
| Other                     | Y                             | 0             | 0                         |                |
| <b>Total Bonds</b>        |                               |               | <b>68,622</b>             | <b>86,916</b>  |
| Property                  | UK and Property Funds         | Y             | 47,459                    | 54,846         |
| <b>Total property</b>     |                               |               | <b>47,459</b>             | <b>54,846</b>  |
| Alternatives              | Commodities                   | Y             | 0                         | 0              |
|                           | Infrastructure                | Y             | 616                       | 1,289          |
|                           | Infrastructure                | N             | 23,411                    | 34,168         |
|                           | Absolute Return               | Y             | 0                         | 0              |
|                           | Absolute Return               | N             | 20,330                    | 24,498         |
|                           | Other fixed interest          | Y             | 0                         | 0              |
|                           | Other fixed interest          | N             | 29,572                    | 41,904         |
|                           | Futures                       | Y             | 17,250                    | 0              |
| Other long term assets    | N                             | 0             | 0                         |                |
| <b>Total Alternatives</b> |                               |               | <b>91,179</b>             | <b>101,859</b> |
| <b>Total Assets held</b>  |                               |               | <b>616,394</b>            | <b>645,738</b> |



## 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.

|  | 2017-18<br>Capitalised<br>Value<br>£'000 | 2018-19<br>Actual<br>Payments<br>£'000 | 2018-19<br>Capitalised<br>Value<br>£'000 |
|--|--|--|--|
| Payments made in respect of decisions made in the year       | 0  | 0                                      | 0  |
| Payments made in respect of decisions made in previous years | 1,923                                    | 105                                    | 1,884                                    |
|  | <b>1,923</b>                             | <b>105</b>                             | <b>1,884</b>                             |

## 19. CONTINGENT LIABILITIES AND ASSETS

The Chief Constable of the West Midlands, along with other Chief Constables and the Home Office, currently has 745 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 December 2018 the Court of Appeal ( McCloud / Sargeant ) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government is seeking permission to appeal this decision. It is envisaged that if this is unsuccessful, the Court will require steps to be taken to compensate employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions have estimated the potential increase in scheme liabilities as a result of the judgment to be approximately 5.4% of national pension scheme liabilities as at March 2018. This estimate is based on one potential remedy and depending on the outcome of the appeal, the remedy calculation and its applicability to the Police Pension Scheme will need to be revisited in the light of further direction from the courts.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

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 37 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 and agreement has been reached on lead cases, which are likely to be heard in early 2020 subject to court availability. 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 legal case 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 joint operation with his opposite number in Staffordshire 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 two Police forces have an agreement in place for funding this unit with contributions to the agreed budget of 70% from West Midlands Police and 30% 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 2018-19 are as follows:

| 2017-18<br>£'000 |  | 2018-19<br>£'000 |
|------------------|--|------------------|
|                  | <b>Funding provided to the pooled budget</b>   |                  |
| (4,247)          | Contribution from West Midlands Police   | (4,273.5)        |
| (1,621)          | Contribution from West Mercia Police   | 0                |
| (1,937)          | Contribution from Staffordshire Police   | (1,938.4)        |
| <b>(7,805)</b>   | <b>Total funding provided to the pooled Budget</b>   | <b>(6,211.9)</b> |
|                  | <b>Expenditure met from the pooled budget</b>  |                  |
| 7,197            | Pay and allowances   | 5,736.7          |
| 52               | Premises costs   | 0.0              |
| 402              | Transport costs  | 406.8            |
| 154              | Supplies and Services  | 68.4             |
| <b>7,805</b>     | <b>Total expenditure</b>   | <b>6,211.9</b>   |
|                  | <b>Income received to the Pooled budget</b>  |                  |
| 0                | Miscellaneous income   | 0                |
| (12)             | External funding   | (34.6)           |
| <b>(12)</b>      | <b>Total income received</b>   | <b>(34.6)</b>    |
| <b>7,793</b>     | <b>Total Net Expenditure</b>   | <b>6,177.3</b>   |
| 75               | Net surplus/(deficit) arising during the year  | 0.0              |
| 38               | West Midlands Police share of 70% (2018-19) of the net surplus/(deficit) arising during the year | 0.0              |

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 2018-19 the final contribution paid by the PCCWM was £4.08m.

2017-18 included West Mercia who withdrew from the agreement from April 2018.

Premises costs were removed to bring CMPG in line with other regional collaborations.



## (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 are as follows:

| 2017-18<br>£'000 |  | 2018-19<br>£'000 |
|------------------|--|------------------|
|                  | <b>Funding provided to WMROCU</b>                          |                  |
| (11,787)         | Contribution from West Midlands Police                     | (13,475)         |
| (3,619)          | Contribution from West Mercia Police                       | (3,789)          |
| (3,515)          | Contribution from Staffordshire Police                     | (3,681)          |
| (1,758)          | Contribution from Warwickshire Police                      | (1,840)          |
| (2,399)          | WMROCU Grant   | (2,399)          |
| (270)            | National Cyber Security Programme funding                  | (270)            |
| (155)            | Regional Asset Recovery Team grant                         | (165)            |
| (135)            | ROCU Reserves  | (532)            |
| 0                | Police Transformation Fund grants                          | (1,784)          |
| (1,000)*         | Additional Home Office funding (grant provided in 2017-18) | (625)*           |
| <b>(24,638)</b>  | <b>Total funding</b>                                       | <b>(28,560)</b>  |
|                  | <b>WMROCU expenditure</b>                                  |                  |
| 1,138            | Regional Asset Recovery Team (RART)                        | 1,056            |
| 155              | RART – ACE team  | 165              |
| 678              | Regional Cyber Crime Unit                                  | 645              |
| 248              | Regional Fraud Team  | 315              |
| 999              | Regional Prisons Intelligence Unit                         | 927              |
| 968              | UKPPS (protected Persons)                                  | 943              |
| 18               | Operational Security (OPSY)                                | 56               |
| 34               | Regional Government Agency Intelligence Network (GAIN)     | 46               |
| 1,378            | Command Team   | 1,181            |
| 4,903            | Regional Confidential Unit                                 | 5,484            |
| 813              | TIDU – Technical Intelligence                              | 716              |
| 108              | Enabling Services  | 180              |
| 3,954            | SOCU   | 4,473            |
| 6,970            | Regional Surveillance Unit (FSU)                           | 7,850            |
| 0                | Threat Assessment Team (ROCTA)                             | 259              |
| 0                | Disruption Team  | 474              |
| 1,274            | Other Regional Operations                                  | 3,165            |
| 1,000            | Additional Contribution to Reserves                        | 625              |
| <b>24,638</b>    | <b>Total expenditure</b>                                   | <b>28,560</b>    |
| <b>0</b>         | <b>Total Net Expenditure</b>                               | <b>0</b>         |

\*The additional £0.625m Home Office grant was provided in March 2019 to be used in 2019-20. Therefore the grant has been shown as income in 2018-19 and then contributed to reserves. In 2019-20 the grant will be released to ROCU for the provision of services. This was the same for the £1m grant in 2017-18.



## 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.

| 2017-18<br>£'000 | Police Pension Fund Account   | 2018-19<br>£'000 | £'000           |
|------------------|---|------------------|-----------------|
|                  | <b>Fund Account</b>   |                  |                 |
|                  | Contributions receivable:   |                  |                 |
|                  | From employer:  |                  |                 |
| (48,813)         | Normal  | (49,060)         |                 |
| (932)            | Early retirements   | (2,347)          |                 |
| 0                | 30+ contributions   | 0                |                 |
| (49,745)         |   | (51,407)         |                 |
| (31,247)         | From members  | (31,109)         |                 |
| (31,247)         |   | (31,109)         |                 |
| (281)            | Transfers in  | (1,321)          |                 |
| (281)            |   | (1,321)          |                 |
| <b>(81,272)</b>  | <b>Total income into the Pension Fund</b>                               |                  | <b>(83,837)</b> |
|                  | Benefits payable:   |                  |                 |
| 146,502          | Pensions  | 153,770          |                 |
| 30,632           | Lump sums   | 40,684           |                 |
| 110              | Lump sum death benefits   | 248              |                 |
| 0                | 30+ benefits payable  | 0                |                 |
| 73               | Benefits payable to other regional forces re earlier reorganisations    | 135              |                 |
| 177,317          |   | 194,838          |                 |
|                  | Payments to and on account of leavers:                                  |                  |                 |
| 107              | Refunds of contributions  | 222              |                 |
| 452              | Individual transfers out to other schemes                               | 140              |                 |
| 233              | Other   | 630              |                 |
| 792              |   | 992              |                 |
| <b>178,109</b>   | <b>Total payments from the pension fund</b>                             |                  | <b>195,830</b>  |
| <b>96,837</b>    | <b>Net amount payable for the year</b>                                  |                  | <b>111,993</b>  |
| (6,646)          | 2.9% employer contributions met by the Police and Crime Commissioner    |                  | (6,681)         |
| (90,191)         | Additional contribution received from the Police and Crime Commissioner |                  | (105,312)       |
| <b>0</b>         |   |                  | <b>0</b>        |



## Net Assets Statement

| Net current assets and liabilities | 2017-18  | 2018-19  |
|------------------------------------|----------|----------|
|                                    | £'000    | £'000    |
| Current assets                     | 0        | 0        |
| Current liabilities                | 0        | 0        |
| <b>Total</b>                       | <b>0</b> | <b>0</b> |

## Notes to the Police Pension Fund Account

1. The police pension fund account has been prepared in accordance with the Police Pension Regulations 2007 and the accounting policies detailed on page 32 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 2018-19 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2019 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 2018-19 the contribution rates were as follows :-

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

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

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

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

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

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

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



## 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.