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

2020-21

west midlands
police and crime
commissioner

STATEMENT OF ACCOUNTS 2020-21

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NARRATIVE REPORT

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

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

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

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(as per the 2011 census).

There are seven local authorities within the area, Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton, each with a 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. The Force continues to work to reduce crime levels across the region. 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 (NPUs). Due to its size Birmingham has two NPUs, whilst the other six NPUs are coterminous with local authority boundaries. Each NPU is headed by a Chief Superintendent and the local NPU work is supported by a number of specialist central and support departments.

West Midlands Police has a reputation for continuous improvement, innovation and empowering leadership with a talent to continuously evolve and meet changing needs. The Force aims to deliver policing that is accessible and responds to the needs of local people. Neighbourhood policing provides a named team of local officers who can influence the policing priorities within their neighbourhood. They work with colleagues and partner agencies to address the concerns of their communities.

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

Role of Police and Crime Commissioner

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

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

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

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

- must produce a Police and Crime Plan
- must set the policing "precept", which is the part of local council tax that goes to policing
- appoints and, if necessary, dismisses the Chief Constable
- makes Crime and Disorder Reduction Grants
- has oversight of how complaints against the police are managed
- has duties relating to national criminal threats, safeguarding of children, and consulting the public

- must keep under review opportunities for collaboration
- has a role in ensuring the effectiveness of the wider criminal justice system

The Commissioner is supported in his work by an executive team headed by the Chief Executive and Monitoring Officer. The team also has the Commissioner's Deputy Chief Executive, Chief Finance Officer, together with a Policy team, an Internal Audit team, a Violence Reduction Unit, a Media and Communications team and a Business Services team.

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

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

Role of Chief Constable

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

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

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

The Chief Constable has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE 2016 updated framework: *Delivering Good Governance in Local Government*, a copy is on our website at https://www.west-midlands.police.uk/ or can be obtained by contacting us, details at https://www.west-midlands.police.uk/contact-us. This statement explains how the Chief Constable has complied with the code and also meets the requirements of Accounts and Audit Regulations 2015 (amended 2021), 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 https://www.west-midlands.police.uk/

The Statement of Accounts

The Police Reform and Social Responsibility Act 2011 established the Police and Crime Commissioner and the Chief Constable as separate entities (known as 'corporations sole'). As separate bodies, both the Commissioner and the Chief Constable are required to appoint their own Chief Finance Officers, each with statutory responsibilities, as being the person responsible for proper financial administration under the provisions of the Act. A consequence is also that each body is required to be subject to audit under the Audit Commission Act 1998 and are thus required to prepare a set of accounts. Additionally, the Commissioner, with his ultimate control over the Chief Constable's resources, has to prepare group accounts

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

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

A separate set of statutory accounts have therefore been published for the Chief Constable to recognise all the financial transactions incurred during 2020-21 for policing the West Midlands area.

The Statement of Accounts for the PCCWM group consists of:

1. **Police and Crime Commissioners Approval**

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

2. **Annual Governance Statement**

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

3. **Statement of responsibilities for the Statement of Accounts**

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

4. **Auditors report**

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

5. **The Statement of Accounts key financial statements**

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

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

- **Movement in Reserves Statement for the Group and Police and Crime Commissioner for the West Midlands** – These statements shows the movement in the year of the different reserves held by the PCC analysed into useable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves (sometimes called non-useable). The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the PCCWM services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the PCCWM.

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

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

6. **Additional notes and disclosures**

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

- **Expenditure and Funding Analysis** - The objective of the Expenditure and Funding Analysis is to demonstrate to Council tax payers how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Group's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

- **Police Pension Fund and notes to the Police Pension Fund scheme** - The Police Pension Fund Account presents the income received in respect of employers' and employees' pension contributions with employers' contributions made at a rate of 31% of police officers' pay. It then presents the expenditure from the fund as police pensions paid during the year.
  Any surplus or deficit on this account at the end of the year is paid to, or claimed from the Comprehensive Income and Expenditure Statement of the Chief Constable within Financing and Investment Income and Expenditure.

REVENUE OUTTURN 2020-21

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

Actual 2019-20 £m	*Revenue Expenditure*	*Budget 2020-21 £m*	*Actual 2020-21 £m*	*Variation + (-) £m*
509.9	Employee costs	547.2	546.6	(0.6)
18.6	Premises costs	18.6	19.1	0.5
6.0	Transport costs	9.0	7.1	(1.9)
40.9	Supplies and Services	45.1	44.8	(0.3)
13.1	Collaborative working costs	14.1	13.7	(0.4)
12.9	Capital Financing	26.9	16.6	(10.3)
(52.7)	Income	(59.4)	(72.1)	(12.7)
548.7	**Police Force (Excl. Change Programme & COVID 19)**	**601.5**	**575.8**	**(25.7)**
11.0	Change Programme	20.2	17.2	(3.0)
0.0	COVID-19	(2.1)	(0.7)	1.4
559.7	**Police Force (Incl. Change Programme & COVID 19)**	**619.6**	**592.3**	**(27.3)**
	Police and Crime Commissioner			
2.4	Office for Police and Crime Commissioner	2.8	2.8	0.0
6.7	Commissioned Services	9.7	7.1	(2.6)
9.1	**Police and Crime Commissioner**	**12.5**	**9.9**	**(2.6)**
568.8	**Net Cost Police Services**	**632.1**	**602.2**	**(29.9)**
(2.7)	Other Contributions to (from) Reserve	(15.1)	16.2	31.3
3.7	Net Contribution to (from) Budget Reserves	(6.1)	(7.8)	(1.7)
569.8	**Net Budget Requirement**	**610.9**	**610.6**	**(0.3)**
	Statutory Accounting Adjustments:			
296.4	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance		309.1	
866.2	**Net Operating Expenditure (CIES)**		**919.7**	

The financial position of the Group was closely managed and reported throughout the year which resulted in a total revenue underspend of 4.13% of the total budget of £610.6m. The Force underspend of £27.3m included £3.0m which was underspent against the change programme which will be required to fund completion of in-train projects in 2021-22.

COVID-19 Related Expenditure and Income

Various income and expenditure budgets were moved to the COVID budget at the start of the pandemic so that the impact could be captured effectively. These included budgets for income that would not be achieved in force operations from and Airport in addition to budget for expenditure for overtime for enforcement patrols related to COVID.

Over £12m was spent on policing the impact of the pandemic which included:

- £6.10m of PPE, £4.40m of which related to the national PPE order.
- £4.49m of pay related costs including temporary staff and overtime. The overtime includes enforcement patrols supplemented by £1.83m income from national surge funding.
- £1.74m non pay costs including decontamination and costs of making police buildings Covid secure.

This was offset by income as follows:

- £5.29m for PPE reimbursement (20/21 element)
- £5.37m surge funding to support enforcement patrols
- £2.28m estimated lost income based on 75% of total lost income being reimbursed. (Income lost from force operations including football, Airport and Criminal justice processes.

West Midlands Police and Crime Commissioner

The Office of the Police and Crime Commissioner's outturn was a underspend of £2.6m and will be fully carried forward into 2021-22. The underspend relates to commissioned services including Community Safety Funding.

The table below shows how the Net Budget Requirement of £610.6m is funded from Government Grants and Council Tax.

	2020-21 Outturn £m
Council Tax Payer	118.2
Police Revenue Grant	279.5
Council Tax Support Funding	19.0
DCLG Grant	193.9
Net Budget Requirement	**610.6**

How we have performed in 2020-21

The table below shows some key crime statistics for West Midlands Police for the year ended 31 March 2021 compared to the same time in the previous year.

	2019-20	2020-21	% change
Total recorded Crime	260,847	280,162	7.4%
Business Crime	38,243	27,868	-27.1%
Burglary	24,162	17,976	-25.6%
Robbery	8,176	6,457	-21.0%

The levels of crime were significantly affected by the Covid pandemic, overall crime increased which driven by significant increases in the reporting of Domestic Abuse and Harassment with significant levels being conducted online. As expected with lockdowns, business crime fell sharply with many

shops shut and with more people staying at home an inevitable consequence was a reduction burglary and robbery.

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.

HMICFRS changed their approach to inspections in 2018 and integrated all three inspections into one report based on continual monitoring through field work, insight visits and data analysis.

West Midlands police were graded good across all three pillars in 2018 and this grading remains until HMICFRS revisit the Force in June 2021.

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.

HMICFRS publishes its Value for Money (VfM) profiles for each force annually. VFM profiles provide comparative data on a wide range of policing activities from 2012 up to the most recent data release for 2020/21 and allow for detailed analysis of:

- how much forces spend on different policing activities;
- how crime levels compare across forces, as well as what outcomes forces achieve; and
- Work force costs, broken down by role, rank and gender.

West Midlands Police compares favourably with other forces in all areas despite losing £175m government funding since 2010.

At the end of March 2020 HMICFRS suspended in force inspection activity until further notice due to the Coronavirus pandemic whilst thematic and remote inspections continued.

In 2021 the Force has been inspected remotely in the following areas:

- Mental Health
- Armed Policing
- Serious and Organised Crime
- Management of Sexual or Violent Offenders
- Victim Services Assessment
- Counter Corruption and Vetting

These inspections all contribute towards the 2021 WMP Peel Inspection which commences on 14th July 2021.

EARMARKED AND GENERAL RESERVES

Earmarked Reserves amount to £57.7m, and the General Reserve has been maintained at £12.0m to adequately cover the risk of major incidents.

The 2020-21 outturn reduced the level of the Budget Reserve to £1.3m, this will be used to support the funding shortfall for 2021-22.

The self-funded insurance reserve has a balance of £8.9m. This reserve is used to fund liabilities relating to staff, the public, the PCC's buildings and the PCC's vehicles and equipment over and above the excess amounts on the PCC's insurance policies.

Reserves analysed in greater detail:

	General Fund Balance £m	Earmarked Reserves £m
Opening Balance 1 April 2020	12.0	48.1
Movement in year	0	9.6
Closing Balance 31 March 2021	12.0	57.7

MATERIAL ASSETS ACQUIRED, LIABILITIES INCURRED AND FINANCING OF CAPITAL EXPENDITURE

Overall capital expenditure for the year was planned to total £58.8m in the capital programme.
The PCC/Group has £6.7m of Capital Reserves in Unapplied Capital Grants and Unapplied Capital Receipts to meet future capital expenditure plans and other financial commitments.

The new Logistics centre in Birmingham was completed in year. The new Control Suite under construction on the Park Lane site was just about to become operational at the end of the year and work commenced on the rest of the site.

The PCC/Group has taken ownership of £4.8m of new vehicles through a vehicle replacement programme where new vehicles have been specified to reduce on-going maintenance costs and improve fuel efficiency.

Capital expenditure on IT, Equipment and Software was budgeted as £8.5m of which £4.2m was budgeted for transformation projects. Actual expenditure was £16.5m, including £5.9m spend on laptop and desktop computers to support agile working during lockdown and new software systems to be delivered in 2021.

The capital programme for 2020-21 is summarised in the table below.

2019-20 Outturn £'000		2020-21 Programme £'000	2020-21 Outturn £'000
	Property Plant and Equipment comprising:		
	Land and Buildings:		
22,397	New Police Buildings	34,813	20,419
0	Improvements and Adaptations	490	0
	Vehicles and Equipment:		
5,225	Vehicles	7,380	4,771
8,151	IT and Equipment	4,327	9,155
6,766	Intangibles	4,161	7,354
26	REFCUS	0	0
42,565	**TOTAL**	**51,171**	**41,699**
	FINANCING OF EXPENDITURE		
11,562	Capital Grants	2,810	6,560
34	Capital Receipts	10,711	2,283
0	Capital Reserve	0	0
8,572	Direct Revenue Financing	17,650	15,688
22,397	Prudential Borrowing	20,000	17,168
42,565	**TOTAL**	**51,171**	**41,699**

PENSIONS

The requirement to recognise the net pensions liability in the Balance Sheet has reduced the reported net worth of the Group, converting net assets of £206.5m into net liabilities of £8,369.7m.

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

	2019-20 £'000	2020-21 £'000
Police Officers	7,518,260	8,025,010
Police Staff	304,927	545,734
PCC staff	2,864	5,543
Total	**7,826,051**	**8,576,287**

The actuarial loss on pension funds in 2020-21 totalled £548.6m and compared to actuarial gain in 2019-20 of £736.1m. The increase in the liability of £750m is due to a reduction in the discount rate for future cash flows and increases in the assumed increases in salaries and in the rate of CPI inflation which will increase the liability for active members of the scheme. It should be noted that actuarial gains and losses change each year as can be seen from the defined benefit pension scheme notes starting on page 66 of the Statement of Accounts.

Statutory arrangements for funding the deficit will impact the financial position of the group in the following way:

- The deficit on the local government scheme will result in increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

- The Police Officer pension scheme is a statutory scheme as specified by police regulations, whereby the Group pays an employer's contribution of 31% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there are insufficient funds in the Pension Fund Account to meet expenditure commitments in any particular year, the Home Office will fund the deficit. In practice, therefore the significant liability of £8.0bn will be covered by future employer contributions and the receipt of Home Office grant monies. Ultimately, finance is only required to be raised to cover police pensions when the pensions are actually paid.

CHANGES TO ACCOUNTING POLICIES

No new Accounting Standards have required adoption in the 2020-21 Accounts and the Accounting Policies for the group remain unchanged.

BORROWING

The PCCWM's borrowing totals £99.9m (£103.6m in 2019-20). One loan of £2.83m matured in 2020-21 and was repaid. Details of borrowing are shown in Note 34.

CASH FLOWS

The group's cash flows in 2020-21 showed that cash from operating activities produced a net surplus of £44.4m and a deficit in investing and financing activities of £31.7m resulting in a net increase in cash and cash equivalents of £12.7m. (£22.2m increase in cash and cash equivalents in 2019-20). This is shown in the Cash Flow statement on page 38. Cash flows have been forecast for 2021-22 supported by information from a variety of sources.

FUTURE OUTLOOK

Since 2010 the West Midlands has faced a challenge of managing one of the largest reductions in Government funding for any police area in the country whilst maintaining and improving the services needed by local people and businesses. The election of the new PCC in May 2021, will result in a new Police and Crime Plan being published within his first year in office.

In 2019 the government announced further investment in policing with a pledge to recruit an additional 20,000 police officers by 2023. Based on the Police Grant Funding Formula this would give WMP an extra 1,200 officers, which provides the Force with a significant opportunity to increase its service levels. Good progress has been made in recruiting these officers as well as putting in place the infrastructure to support them.

The COVID-19 pandemic has presented the Commissioner and the Chief Constable with some unprecedented challenges. The Force has seen some immediate effects on crime, including a reduction in some crime types but increases elsewhere. The full social and financial implications of the pandemic are being closely monitored and resources may need to be diverted to higher demand areas.

The future impact of the pandemic on the group will depend on the success of the UK vaccination programme (protection against COVID variants etc.) and future Government policy towards lockdowns.

FUTURE FUNDING LEVELS

The Police and Crime Commissioner is funded through annualised grants from central government, based on the police funding formula and the police precept component of local council tax. Annual funding settlements and one off funding in areas such as regional organised crime, firearms and violence make it extremely difficult to deliver on long term issues and exacerbates financial pressures for the force as they can end suddenly. Whilst there have been discussions on revisiting the funding formula no specific review date has been set, therefore there is a reasonable expectation that the current methodology will continue to be used in the short term. Any new funding formula introduced may pose a risk to funding levels and will be closely monitored, including the impact on the medium term financial plan and the reserve strategy.

The medium term financial plan of the PCC and Force includes a number of assumptions around resource levels and financial commitments. We will revisit these assumptions as we work through the impact of COVID-19 and other factors on the force and our stakeholders. Continued cost of COVID-19 have been built into the budget for the first 6 months of 2021-22.

Great Britain left the European Union on 31 December 2020. The effects of this are being monitored however the impact on future funding levels is expected to be minimal.

The financial pressures will remain until a longer term spending review is carried out by government.

EVENTS AFTER THE REPORTING PERIOD

It was announced in June 2021 that West Midlands Police along with South Yorkshire Police agreed the settlement of a civil claim relating to the Hillsborough disaster in 1989. The exact amount of compensation is yet to be agreed. This is currently included as a contingent liability.

Annual Governance Statement

Position as at 31st March 2021 including plans for the financial year 2021-22

1 Introduction

This Annual Governance Statement demonstrates how the Police and Crime Commissioner for the West Midlands complies with a governance framework. This includes how the effectiveness of the framework is evaluated and monitored. This document also highlights any significant governance issues and any planned changes in the governance framework.

The Police and Crime Commissioner (PCC) elections took place on 6 May 2021 and a new PCC was elected. This will mean that the governance arrangements detailed in this document may be revised during 2021/22.

A major development on the operation of the Police and Crime Commissioner's business has been the outbreak of COVID-19 which has had a significant impact on West Midlands Police. This statement refers to how the outbreak of COVID-19 has been managed and governed from a policing perspective.

2 Scope of Responsibilities

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

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

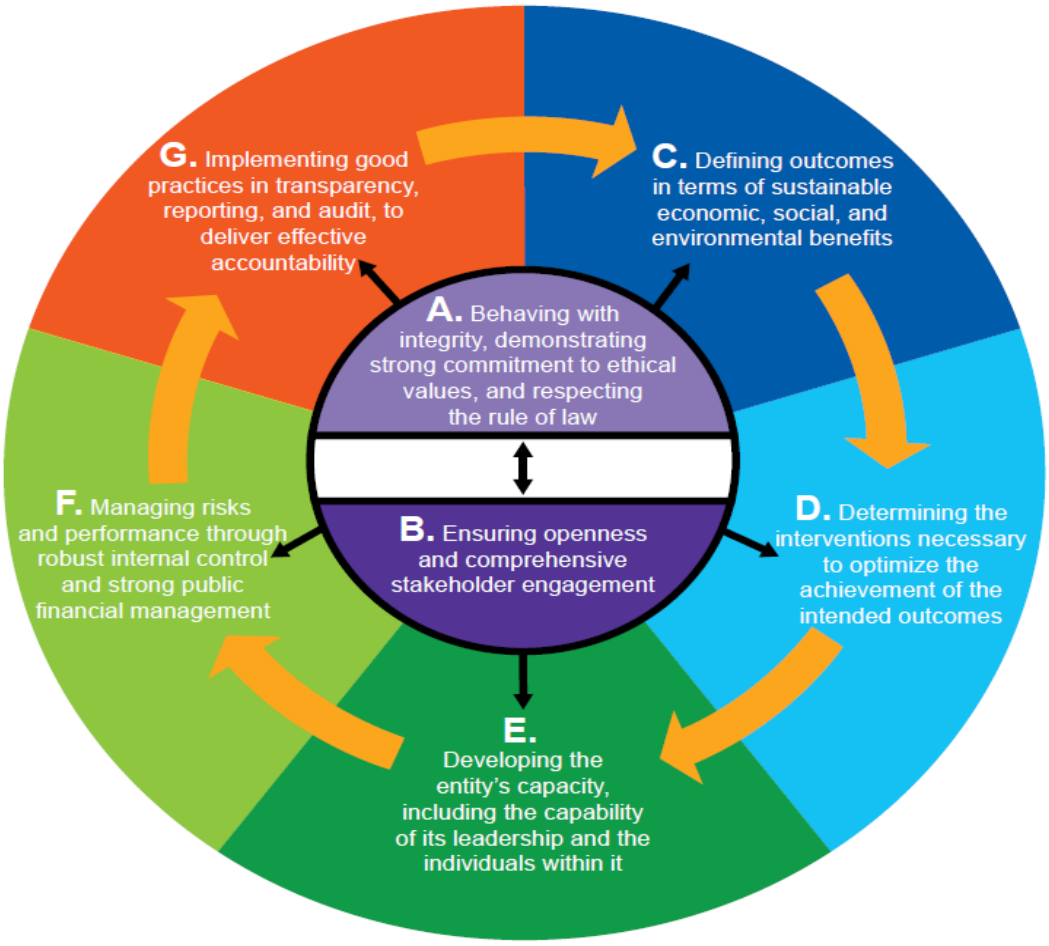
The Commissioner has adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE 2016 updated framework: *Delivering Good Governance in Local Government*, a copy of which is on the Commissioner's website at www.westmidlands-pcc.gov.uk or can be obtained by contacting the Commissioner's office, details at https://www.westmidlands-pcc.gov.uk/contact. This statement explains how the Commissioner has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 (amended 2020), regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

3 The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and the culture and values by which the Commissioner directs and controls his activities through which he accounts to and engages with the community. It enables the Commissioner to monitor the achievement of his strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.

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

The diagram below sets out the core principles of the Police and Crime Commissioner's Governance Framework.



4 The Governance Framework

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

It therefore follows that the Commissioner must satisfy himself that the Chief Constable has appropriate mechanisms in place for the maintenance of good governance. For these to operate in practice, the Commissioner and the Chief Constable, as separate corporations sole, have separate but complimentary governance structures. These facilitate the achievement of effective governance arrangements, including the monitoring and assessment of performance in line with statutory responsibilities.

The Commissioner adopted a number of systems and processes to operate the governance arrangements, the key elements of which are detailed below:

- The West Midlands Police and Crime Plan 2016 – 2020 set out the previous Commissioner's objectives for policing and community safety, the policing to be provided, the financial and other resources that will be available, how performance will be measured, what grants will be made and how the Chief Constable will be held to account. Due to COVID-19 the Police and Crime Plan was amended in April 2020 and included an emergency chapter covering the COVID-19 crisis. Also the postponement of the Police and Crime

Commissioner elections in May 2020 to May 2021, meant the Police and Crime Plan 2016 - 2020, including the emergency chapter were in place to the end of the previous Commissioner's term of office in May 2021. A new Police and Crime Plan will be developed setting out the current Commissioner's objectives.

- Translating the Commissioner's objectives into delivery plans.
- The operation of the Strategic Policing and Crime Board (SPCB) that assisted in holding to account West Midlands Police. The SPCB meets monthly in public. The meetings are webcast and have taken place virtually during the COVID-19 crisis.
- Worked with the Chief Constable to ensure there are processes and systems in place to deliver the Police and Crime Plan. This allows the Commissioner to be satisfied the Chief Constable has regard to the Police and Crime Plan through the strategic and operational plans of the Force.
- Measuring the quality of services, to ensure they are delivered in accordance with the Commissioner's objectives and represent the best use of resources and value for money.
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication, in respect of the Commissioner and partnership arrangements.
- Ensuring effective arrangements are in place for the discharge of the head of paid service and monitoring officer functions.
- Ensuring the Commissioner's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2021).
- Ensuring compliance with the Commissioner's statutory responsibilities, including:-

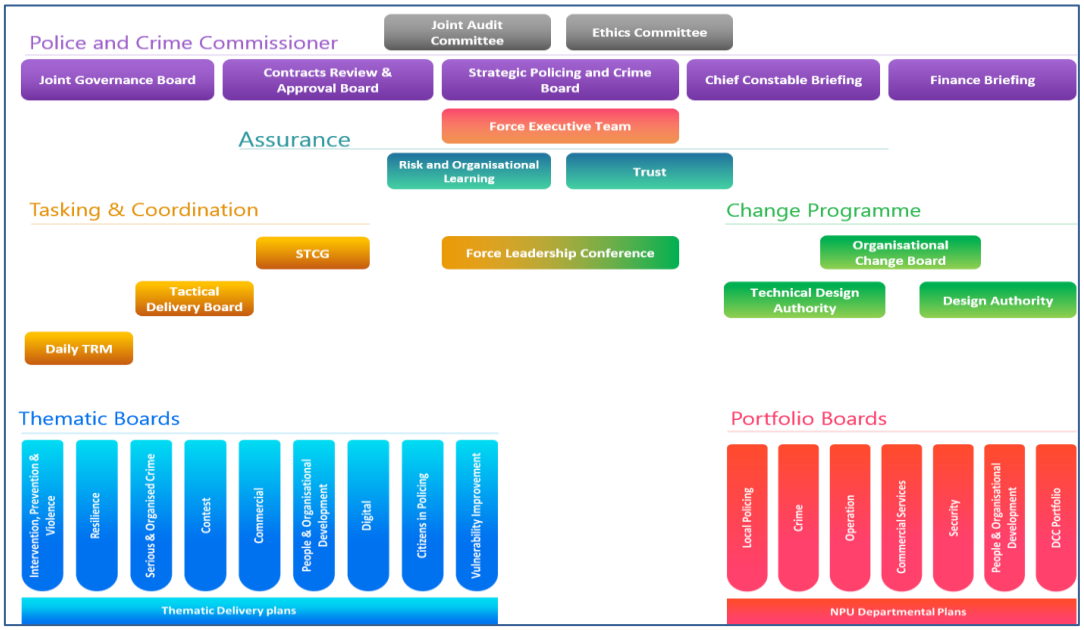
  - Setting the budget and precept
  - Issuing a Police and Crime Plan
  - Publication of an Annual Report
  - Publication of specified information
  - Duties to consult with victims of crime, the population as a whole and ratepayers
  - Safeguarding of children and promotion of child welfare
  - Having regard to the Strategic Policing Requirement. This is demonstrated through an annual report to the SPCB
  - Duties relating to equality and diversity

- Procedure rules, policies and internal management processes are established for Financial Management, Procurement, Health and Safety, Confidential Reporting ("Whistleblowing")', Complaints Handling, Anti-Fraud, Bribery and Corruption and Records Management, including security of information and information sharing.
- Codes of conduct, defining the standards of behaviour for the Commissioner, Members of the Strategic Policing and Crime Board, Statutory Officers and Staff.
- The Joint Scheme of Corporate Governance sets out in detail the respective roles and functions of the Commissioner and Chief Constable, outlining all significant decisions which are consented or delegated and which are of a statutory, financial or management nature.
- A Decision Making Policy is in place which establishes the approach and principles of decision-making. All decisions made by the Commissioner are recorded and published on line for transparency.
- A Joint Audit Committee (with the Chief Constable) is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment, the independent scrutiny of the Chief Constable's and PCC 's financial performance to the extent that it affects the Chief Constable and PCC's exposure to risk and weakens the control environment. The Joint Audit Committee has an independent Chair, as identified by the Home Office's Code of Practice for Financial Management and CIPFA's Audit Committee – Practical Guidance for Local Authorities and Police. A second independent member has also been appointed to the Joint Audit Committee who holds the position of Vice Chair of the Committee.
- An Ethics Committee which advises the Commissioner and Chief Constable on data science projects being proposed by the Force's Data Analytics Lab. The Lab is led by specially recruited data scientists and will develop programmes of work that use data more intelligently to help the Force prevent crime, allocate

resources more efficiently and help it to do its job of keeping the public safe. The Ethics Committee has been set up to help ensure that ethics and people's rights are put at the heart of the Lab's work. Using the Committee's expertise, the Force will be in a better position to help people avoid crime and support the communities of the West Midlands.

- The PCC has a Corporate Risk Strategy and Register, prepared and reviewed by senior management. The Joint Audit Committee is responsible for independent assurance on the adequacy of the risk management framework.
- Procedural rules, policies and internal management procedures are established for financial management.
- Oversight of the management of change and transformation within the Force.
- Ensuring the Commissioner's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019) and, where they do not, explain why they deliver the same impact.
- An External Audit function reports to "those charged with governance" in respect of the Annual Accounts.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. An example of this is the development of the West Midlands Violence Reduction Unit.
- Developing good governance arrangements in respect of partnership and other joint working arrangements.
- The Commissioner provides information to External Audit to enable them to provide assurance.
- The Commissioner also ensures External Audit's recommendations are implemented.

The diagram below details how the Commissioner's governance structure is aligned to the governance structure of West Midlands Police.



5 Review of Effectiveness

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

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

Audit's Annual report, and also by comments made by the External auditors and other review agencies and inspectorates.

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

- **The Commissioner**

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

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

- **The Joint Audit Committee**

  The Commissioner's and Chief Constable's Joint Audit Committee is responsible, on behalf of both Corporations Sole, to:

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

  The Terms of Reference of the Committee, encompasses and reflects these duties by defining that they:

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

  To ensure that it is ably qualified, assessments of its abilities in line with best practice are undertaken confirming that the Committee is well suited and equipped for such responsibilities. Members of the Committee will undergo regular training when required to ensure the Committee is effective in its role in advising the Commissioner and the Chief Constable.

- **Internal and Audit**

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

  The standards of Internal Audit are assessed against the Public Sector Internal Audit Standards (PSIAS) and an external assessment of Internal Audit against the PSIAS standards was undertaken in 2017/18.

The results of the assessment were positive and the service continues to undertake a self-assessment against the standards on an annual basis with the results reported to the Joint Audit Committee.

During 2020/21 Internal Audit has continued the approach of concentrating on the major risks faced by the PCC and the Force. This revised approach has allowed the Commissioner to have increased confidence in the governance, risk management and control processes. In the construction of the Internal Audit plan for the year ahead, consultation has taken place with senior managers to ensure the areas of greatest risk are prioritised. The plan in 2020/21 was subject to revisions as a result of COVID-19 which restricted the availability of resources across WMP.

- **Police and Crime Panel**

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

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

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

- **West Midlands Police Change Programme**

  A comprehensive change programme has been undertaken across West Midlands Police. The change programme included the development and introduction of a Target Operating Model (TOM). Many systems and processes have changed across the Force to ensure it remains efficient and continues to improve services to the public across the West Midlands. Certain systems continue to be introduced as part of the original change programme and the Force continues to improve. The change programme has inevitably resulted in changes to some existing governance arrangements, and poses new challenges for the Commissioner in holding the Chief Constable to account. To manage the change programme governance arrangements have been put in place to make sure the Commissioner has effective oversight of the project. These arrangements include:-

  (i) Members of the Commissioner’s office participate in the following boards:-

  - Organisational Change Board
  - Design Authority

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

  (ii) Members of the Commissioner’s office and the Strategic Policing and Crime Board are embedded in schemes at programme and project levels.

  The continued significant changes to ICT infrastructure, organisational structure and procedures and the Corporate Estate, requires continued programme management. These are overseen by the Organisational Change Board and individual project boards. Also Internal Audit have undertaken pre-implementation reviews of key systems.

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

6 Collaborative Working

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

- A collaboration agreement in place for the counter-terrorism policing network that will be taking responsibility for Special Branch services from regional forces.
- The National Ballistics Intelligence Service (NABIS) where the West Midlands Police is the co-host force. The arrangement also being subject to a collaboration agreement and the Commissioner is represented on the NABIS governing board.
- The West Midlands Regional Organised Crime Unit (ROCU) is the subject of a four-force collaboration agreement (Staffordshire, Warwickshire, West Mercia and West Midlands). The future governance arrangements of the ROCU are likely to be impacted by Sir Craig Mackey's review of serious and organised crime.
- The West Midlands Violence Reduction Unit which was launched in 2019 and involved WMP, health and education professionals to work together to understand the causes of serious violence in the West Midlands and agreeing a co-ordinated response.
- A West Midlands wide Community Safety Partnership enabling crime reduction activities to be commissioned more effectively and efficiently.
- A Safer Travel Partnership with West Midlands Combined Authority and West Midlands Police that continues to significantly reduce crime on all modes of transport across the region.
- An agreement with Birmingham Airport for WMP to provide policing services to the airport.
- A shared Complaints Review Manager resource with Warwickshire's Police and Crime Commissioner. This post will review complaints against police officers on behalf of the Commissioner.
- A regional approach in the introduction and operation of the Police Education Qualification Framework.
- A bilateral collaboration with Warwickshire Police and Crime Commissioner where West Midlands Police are delivering a range of services to the Warwickshire Police.
- The Regional Criminal Justice Forum which is a collaborative partnership between PCCs, forces and criminal justice colleagues across the West Midlands, designed to address cross cutting themes and issues that are affecting all four areas.

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

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

The Commissioner is also a signatory to the National Police Air Service (NPAS) collaboration agreement and is working with regional PCCs to develop appropriate and proportionate oversight. The future governance of NPAS is likely to be affected by a national review of police air support.

There are further collaborative arrangements that may come into effect through national programmes.

Through working with the West Midlands Combined Authority the Commissioner is collaborating on a wide range of issues this includes mental health and youth offending services.

The Commissioner is also in collaboration with other bodies this includes West Midlands Fire Service and local councils through the estates programme where policing is being delivered in shared buildings.

7 Review of CIPFA's FM Code

The CIPFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist police organisations in demonstrating their financial sustainability. The CIPFA FM Code therefore sets the standards of financial management for PCCs and Forces. A key goal of the FM Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. There are also clear links between the FM Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes.

An annual compliance review of the CIPFA FM Code has been completed across the PCC and Force in 2020/21 as part of the shadow year of introduction of the code. The majority of the assessment is RAG rated as green with no areas of concern. Therefore the PCC and the Force have complied with the principles of the FM code.

Work will continue in 2021/22 to improve and enhance financial accountability through reinforcement of roles and responsibilities and formalised training.

The Force has further developed its monthly financial performance reports and in 2021/22 will enhance this further with data on policing performance and outcomes..

8 Significant Governance Issues

Significant governance issues are defined as:

- An issue which has prevented or seriously prejudiced achievement of a principal objective
- An issue where additional funding has had to be sought in order to resolve it
- An issue which has resulted in a material impact on the accounts
- An issue which the Head of Internal Audit has specifically highlighted in the annual audit opinion
- An issue which has attracted significant public interest and has damaged the reputation of the Commissioner
- An issue which has resulted in formal action being taken by the Chief Finance Officer and/or the Monitoring Officer.

A significant issue that occurred during 2020 was the outbreak of the Coronavirus across the world. This led to the Commissioner introducing an emergency chapter in the police and crime plan. This covers the following objectives:-

- Ensuring West Midlands Police responds efficiently and effectively to COVID-19, and works in partnership to protect the public of the West Midlands.
- Protecting the organisational health of West Midlands Police, so it not only responds to the national emergency effectively, but recovers and returns to normality as quickly as possible.
- Lead and support the partnership response to the national emergency.
- Ensuring the Office of the Police and Crime Commissioner does all it can to effectively respond to the national emergency, commissioning services that mitigate its effect and support the return to normality.

The Commissioner has put structures in place to ensure the above objectives are being delivered during COVID-19. This includes a delivery plan supporting the objectives and meetings of the Strategic Policing and Crime Board where the Force has been held to account on the delivery of the plan. Throughout 2020/21 employees of the OPCC worked from home and had the necessary equipment to undertake their roles.

Internal Audit completed a follow up review during 2020/21 of the Missing Persons audit that was originally undertaken in October 2019. The review confirmed that the recommendations and additional actions determined by management are being progressed, but have not yet been fully implemented and embedded, with a lack of safe and well checks/return home risk assessments still being evident in logs and open logs

continuing to experience delays in being resourced with the escalation doctrine not being applied, all of which were key issues previously reported. The review concluded that there was no change in the minimal assurance opinion or recommendation ratings at this time. However the Force in early 2021 completed a deep dive exercise and through new approaches they have reduced the response times for domestic abuse and missing calls which are now within half an hour of the median response times for all P2 calls.

The Commissioner has continued to hold the Chief Constable to account where reductions in funding have had potential impact on business as usual activities of the Force. This has included areas such as the Force's Response Service and Force Contact. Reductions of funding have coincided with recent increases in violent crime, where again the Commissioner has held the Chief Constable to account.

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

The financial position of the Commissioner and WMP continues to be under pressure. This is due to pressures including expenditure items required to tackle COVID-19 and ongoing cost pressures such as inflation. The financial position continues to be monitored closely to ensure the financial stability of the organisations. During 2020/21 this included regular financial monitoring reports to SPCB.

Also the lack of certainty over the levels of funding for policing the West Midlands means it is difficult to financially plan for more than one financial year. However, the medium term financial plan (MTFP) for the Commissioner and Force was approved as part of the 2021/22 budget. The MTFP includes a sensitivity analysis on assumptions made. There are further uncertainties with police funding due to future impacts of COVID-19 on policing, the impacts of the pandemic on the economy and only receiving annual allocations for priorities such as violence reduction. Only receiving annual allocations is also referred to in Section 7 of this document.

9 Delivering the Police and Crime Plan

During 2021/22 a new police and crime will be developed covering the period up to 2024. The delivery of the Police and Crime Plan will assist the Commissioner to secure and maintain efficient and effective policing services across the West Midlands. The Commissioner will continue to work with West Midlands Police in the delivery of the Force's strategies and plans.

10 Issues Raised in Previous Year's Annual Governance Statements

COVID-19 was a significant issue raised in last year's statement. This document sets out how the Commissioner has dealt with the pandemic throughout 2020/21.

Weaknesses in the management of sex offenders was raised by Internal Audit in previous years which resulted in additional scrutiny by Joint Audit Committee and also by the Commissioner's Board in January 2020. During 2020/21 Internal Audit completed a further review of Sex Offender Management arrangements resulting in a reasonable assurance opinion being given. Significant improvement were noted by Internal Audit in progressing Active Risk Management Assessments of registered sex offenders and other recommendations were being progressed by management reducing the need for additional scrutiny by Joint Audit Committee during the year.

During 2018/19, Internal Audit reported on weaknesses in the legacy systems of West Midlands Police. Gradually, these legacy systems have been replaced and whilst some recommendations were implemented others have now become redundant. Internal Audit have encouraged lessons learnt from their reviews to be considered during new systems implementations and this was evidenced in the implementation of the Connect system which applies role based access. During 2020/21 Joint Audit Committee applied additional scrutiny to the 2019/20 Internal Audit of database access and administration with an update on progress reported to the Committee. Any outstanding recommendations continue to be followed up by Internal Audit.

The Commissioner has continued to hold WMP to account in relation to areas that have witnessed high demands for service. This includes Force Response and the Contact Centre. The Police Officer Uplift programme will provide more resources to the Force and help in these areas. Also the violence reduction initiatives such as Surge funding and the Violence Reduction Unit will assist in the reduction of violent crime.

11 Future Developments

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

- The continued impacts of COVID-19 on policing the West Midlands. This includes any immediate impacts and how the area recovers from the pandemic.
- The impacts on COVID-19 on the public of the West Midlands this includes the social and economic consequences of the pandemic.
- Further collaborative working with police forces in areas such as serious and organised crime, counter terrorism, roads policing and uniformed operations, with a concurrent requirement to develop effective collaborative governance arrangements based on formal collaboration agreements.
- The continued operation of the West Midlands Violence Reduction Unit.
- The outcome of the planned 2021 Comprehensive Spending Review and the impacts on funding for the policing of the West Midlands.
- The future implementation of a revised funding formula for policing will have implications on the level of resources available for policing services across the West Midlands.
- Any continuing impacts on policing from the United Kingdom's exit from the European Union.
- Ensuring new Force systems operate effectively and generate efficiencies.
- The risks associated with achieving the police officer Uplift programme targets and ensuring the extra officers are deployed in priority areas across the Force.
- The increasing role of PCCs in the Criminal Justice System, particularly following the new national policy for probation services.
- The introduction of national crime and policing measures.
- Implement the outcomes of Part One of the Government's review of PCCs. For example, amendments to the Specified Information Order will require the Commissioner to provide a narrative on WMP's performance against the Government's crime measures, and HMICFRS force performance reports. There will be further actions from Part Two of the review of PCC's that will be implemented as necessary.
- The continued implementation of an Estates strategy that was approved in March 2018. This includes the investment in new facilities and releasing vacant properties.
- Commonwealth Games in 2022 and Coventry's City of Culture, including the Force's preparation for policing these events.
- The green agenda including to make sure the Force is exploring and implementing strategies to reduce energy consumption across the police estate and vehicles.
- Working with the West Midlands Combined Authority on joint projects to assist in the prevention of crime in the West Midlands.
- The duty to cooperate across police, fire and ambulance services.

12 Monitoring the Implementation of Actions

The systems that have been put in place to monitor the implementation of plans through delivery plan and the risk register will ensure activities detailed in this statement are implemented. Progress of the implementation of actions will be reported in next year's Annual Governance Statement.

Signed

Simon Foster

Simon Foster
Police and Crime Commissioner West Midlands

Jonathan Jardine

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

Mark Kenyon

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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

The Chief Finance Officer to the PCC is responsible for the preparation of the PCCWM Statement of Accounts and Group Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to give a true and fair view of the financial position of the PCCWM and Group at the accounting date and its income and expenditure for the year ended 31 March 2021.

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

• selected suitable accounting policies and then applied them consistently;

• made judgements and estimates that were reasonable and prudent; and

• complied with the CIPFA IFRS Code of Practice on Local Government Accounting.

The Chief Finance Officer to the PCC has also:

• ensured that proper accounting records were kept and are up to date; and

• taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCE OFFICER TO THE POLICE AND CRIME COMMISSIONER'S CERTIFICATE

In accordance with regulation 9 of the Account and Audit Regulations 2015, I certify that the Statement of Accounts presents a true and fair view of the consolidated financial position of the Police and Crime Commissioner of the West Midlands as at 31 March 2021 and its income and expenditure for the year then ended.

M Kenyon

Mark Kenyon CPFA
Chief Finance Officer to the Police and Crime Commissioner
Date: xxxxxxxx

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

The PCCWM is required:

• to make arrangements for the proper administration of their financial affairs and to secure that one of their officers has the responsibility for the administration of those affairs. In the PCCWM that officer is the Chief Finance Officer to the PCC.

• to manage their affairs to secure economic, efficient and effective use of resources and safeguard their assets.

• to approve the Statement of Accounts.

POLICE AND CRIME COMMISSIONER'S CERTIFICATE

I certify that the Statement of Accounts has been certified by the responsible financial officer and approved for issue by the Police and Crime Commissioner for the West Midlands on xxxxxx, in accordance with regulation 9 of the Accounts and Audit Regulations 2015. All known material events that have occurred up to and including this date which relate to 2020-21 or before have been reflected in the accounts.

Simon Foster
Police and Crime Commissioner for the West Midlands
Date: xxxxxxx

Independent auditor's report to the Police and Crime Commissioner for the West Midlands

Report on the Audit of the Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - GROUP

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement on Reserves Statement. The statement shows the net cost for the year presented as this is reported internally and demonstrates how that cost has been financed from general Government Grants and income from local taxpayers. The statement includes other recognised gains and losses of the PCCWM during the year showing total Comprehensive Income and Expenditure of the PCCWM and Group. The PCCWM has produced a subjective analysis of the net cost of General Fund services in note 8 to the Accounts.

2019-20 gross expenditure £'000	2019-20 gross income £'000	2019-20 net expenditure £'000	GROUP	Note	2020-21 gross expenditure £'000	2020-21 gross income £'000	2020-21 net expenditure £'000
			Chief Constable				
744,661	(105,633)	639,028	Policing Services		858,884	(142,935)	715,949
14,122	(3,085)	11,037	**WMP 2020 Projects**		19,440	(4,952)	14,488
			Police and Crime Commissioner				
2,677	(36)	2,641	Office of the PCC		3,152	(80)	3,072
15,099	(8,360)	6,739	Commissioned Services		17,567	(10,369)	7,198
776,559	**(117,113)**	**659,446**	**NET COST - GENERAL FUND SERVICES**		**899,043**	**(158,336)**	**740,707**
0	(648)	(648)	Net (gain)/loss on disposal		0	(265)	(265)
3,568	0	3,568	Interest Payable and Similar Charges		3,498	0	3,498
0	(1,477)	(1,477)	Interest and Investment Income		0	(896)	(896)
205,299	0	205,299	Pension Net Interest Cost	*19*	176,666	0	176,666
208,867	**(2,125)**	**206,742**	**Financing and Investment Income and Expenditure**		**180,164**	**(1,160)**	**179,004**
985,427	**(119,238)**	**866,188**	**NET OPERATING EXPENDITURE**		**1,079,207**	**(159,497)**	**919,711**
0	(127,607)	(127,607)	Council Tax Payer		0	(133,838)	(133,838)
0	(259,664)	(259,664)	Police Grant	*14*	0	(279,501)	(279,501)
0	(181,298)	(181,298)	DCLG Grant	*14*	0	(193,942)	(193,942)
0	(89,347)	(89,347)	Pensions Top Up Grant Receivable		0	(84,636)	(84,636)
0	(8,635)	(8,635)	Non-Specific Government Grants		0	(6,230)	(6,230)
0	**(666,551)**	**(666,551)**	**Taxation and non-specific grant income**		**0**	**(698,146)**	**(698,146)**
985,427	**(785,790)**	**199,637**	**(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES**		**1,079,207**	**(857,643)**	**221,564**
		(78)	(Surplus)/Deficit on the revaluation of fixed assets				**(1,471)**
		166	Movement in Pooled investment Funds				**32**
		(736,122)	Re-measurement of the net defined benefit liability	*19*			**548,598**
		(736,034)	**Other Comprehensive Income and Expenditure**				**547,159**
		(536,397)	**Total Comprehensive Income and Expenditure**				**768,723**

The actuarial movements are due to changes in the discount rate at which pensions are paid and in CPI Inflation and salary assumptions which for 2020-21 will increase the liability for active members of the scheme.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – PCC

2019-20 gross expenditure £'000	2019-20 gross income £'000	2019-20 net expenditure £'000	PCC	Notes	2020-21 gross expenditure £'000	2020-21 gross income £'000	2020-21 net expenditure £'000
2,677	(36)	2,641	Office of the PCC		3,152	(80)	3,072
15,099	(8,360)	6,739	Commissioned Services		17,567	(10,369)	7,198
17,776	**(8,396)**	**9,381**	**Total Cost of Services**		**20,719**	**(10,449)**	**10,270**
667,247	**(108,718)**	**558,529**	**PCC funding to the CC for financial resources consumed**		**761,390**	**(147,888)**	**613,502**
685,023	**(117,114)**	**567,910**	**NET COST - GENERAL FUND SERVICES**		**782,109**	**(158,337)**	**623,773**
0	(648)	(648)	Net (gain)/loss on disposal		0	(265)	(265)
3,568	0	3,568	Interest Payable and Similar Charges		3,498	0	3,498
0	(1,477)	(1,477)	Interest and Investment Income		0	(896)	(896)
60	0	60	Pension Interest Cost and expected return on assets	*19*	67	0	67
3,623	**(2,125)**	**1,498**	**Financing and Investment Income and Expenditure**		**3,565**	**(1,160)**	**2,405**
688,651	**(119,239)**	**569,413**	**NET OPERATING EXPENDITURE**		**785,674**	**(159,497)**	**626,177**
0	(127,607)	(127,607)	Council Tax Payer		0	(133,838)	(133,838)
0	(259,664)	(259,664)	Police Grant	14	0	(279,501)	(279,501)
0	(181,298)	(181,298)	DCLG Grant	14	0	(193,942)	(193,942)
89,347	(89,347)	0	Pensions Top Up Grant Receivable (paid to CC)		84,636	(84,636)	0
0	(8,635)	(8,635)	Non-Specific Government Grants		0	(6,230)	(6,230)
89,347	**(666,551)**	**(577,204)**	**Taxation and non-specific grant income**		**84,636**	**(698,146)**	**(613,510)**
777,998	**(785,790)**	**(7,792)**	**(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES**		**870,310**	**(857,643)**	**12,667**
		(78)	(Surplus)/Deficit on the revaluation of fixed assets				**(1,471)**
		166	Movement in Pooled investment Funds				**32**
		22	Re-measurement of the net defined benefit liability	*19*			**2,381**
		110	**OTHER COMPREHENSIVE INCOME AND EXPENDITURE**				**942**
		7,682	**Total Comprehensive Income and Expenditure**				**13,608**

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

GROUP MOVEMENT IN RESERVES STATEMENT

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

	Revenue	Capital		Total Reserves				
	Total General Fund Balance £'000	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied Reserve £'000**	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**Total Group Reserves £'000**	**Group's share of reserves of CCWMP £'000**	**Total PCC Reserves £'000**
Balance at 31 March 2019	**(58,261)**	**(3,247)**	**(3,453)**	**(64,961)**	**8,202,382**	**8,137,420**	**8,355,620**	**(218,200)**
Movements in Reserves during 2019/20								
Total Comprehensive Income and Expenditure	**199,637**	**0**	**0**	**199,637**	**(736,034)**	**(536,397)**	**(528,715)**	**(7,682)**
Adjustments between accounting and funding basis under regulations	(201,510)	(3,097)	2,561	(202,046)	202,046	0	0	0
Net increase or decrease before transfer to earmarked reserves	**(1,873)**	**(3,097)**	**2,561**	**(2,409)**	**(533,988)**	**(536,397)**	**(528,715)**	**(7,682)**
Transfer to/from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase/Decrease during the year	(1,873)	(3,097)	2,561	(2,409)	(533,988)	(536,397)	(528,715)	**(7,682)**
Balance as at 31 March 2020 carried forward	**(60,134)**	**(6,344)**	**(892)**	**(67,370)**	**7,668,393**	**7,601,023**	**7,826,904**	**(225,881)**
Movements in Reserves during 2020/21								
Total Comprehensive Income and Expenditure	**221,565**	**0**	**0**	**221,565**	**547,159**	**768,724**	**755,116**	**13,608**
Adjustments between accounting and funding basis under regulations	(231,123)	213	330	(230,580)	230,580	0	0	0
Net increase or decrease before transfer to earmarked reserves	**(9,558)**	**213**	**330**	**(9,015)**	**777,739**	**768,724**	**755,116**	**13,608**
Transfer to/from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase/Decrease during the year	(9,558)	213	330	(9,015)	777,739	768,724	755,116	**13,608**
Balance as at 31 March 2021 carried forward	**(69,692)**	**(6,131)**	**(562)**	**(76,385)**	**8,446,131**	**8,369,746**	**8,582,019**	**(212,273)**

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

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

PCC MOVEMENT IN RESERVES STATEMENT

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

	Revenue			Capital		Total Reserves		
	General Fund £'000	**Earmarked Reserves £'000**	**Total General Fund Balance £'000**	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied Reserve £'000**	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**Total PCC Reserves £'000**
Balance at 31 March 2019	**(9,080)**	**(46,219)**	**(55,299)**	**(3,246)**	**(3,453**	**(61,999)**	**(156,201)**	**(218,200)**
Movements in Reserves during 2019/20								
Total Comprehensive Income and Expenditure	**(7,792)**	**0**	**(7,792)**	**0**	**0**	**(7,792)**	**110**	**(7,682)**
Adjustments between accounting and funding basis under regulations	2,957	0	2,957	(3,097)	2,561	2,421	(2,421)	0
Net increase or decrease before transfer to earmarked reserves	**(4,835)**	**0**	**(4,835)**	**(3,097)**	**2,561**	**(5,371)**	**(2,311)**	**(7,682)**
Transfer to/from Earmarked Reserves	1,873	(1,873)	0	0	0	0	0	0
Increase/Decrease during the year	(2,962)	(1,873)	(4,835)	(3,097)	2,561	(5,371)	**(2,311)**	**(7,682)**
Balance as at 31 March 2020 carried forward	**(12,042)**	**(48,092)**	**(60,134)**	**(6,343)**	**(892)**	**(67,370)**	**(158,511)**	**(225,881)**
Movements in Reserves during 2020/21								
Total Comprehensive Income and Expenditure	**12,666**	**0**	**12,666**	**0**	**0**	**12,666**	**942**	**13,608**
Adjustments between accounting and funding basis under regulations	(21,409)	0	(21,409)	213	330	(20,866)	20,866	0
Net increase or decrease before transfer to earmarked reserves	**(8,743)**	**0**	**(8,743)**	**213**	**330**	**(8,200)**	**21,808**	**13,608**
Transfer to/from Earmarked Reserves	9,558	(9,558)	0	0	0	0	0	0
Increase/Decrease during the year	815	(9,558)	(8,743)	213	330	(8,200)	**21,808**	**13,608**
Balance as at 31 March 2021 carried forward	**(11,227)**	**(57,650)**	**(68,877)**	**(6,130)**	**(562)**	**(75,570)**	**(136,703)**	**(212,273)**

GROUP AND PCC BALANCE SHEET

	Notes	PCC as at 31 March 2020 £'000	Group as at 31 March 2020 £'000	PCC as at 31 March 2021 £'000	Group as at 31 March 2021 £'000
Operational Assets:					
Land and Buildings	28	151,628	151,628	138,212	138,212
Vehicles, Plant, Furniture and Equipment	28	25,469	25,469	28,839	28,839
Non Operational Assets:					
Assets Under Construction	28	38,660	38,660	49,877	49,877
Heritage Assets	29	186	186	186	186
Intangible Assets: (Software)	32	11,544	11,544	9,657	9,657
		227,487	**227,487**	**226,770**	**226,770**
Long-term Investments	35	9.579	9,579	14,606	14,606
Long-term Debtors	36	752	752	554	554
Long-Term Assets		**237,818**	**237,818**	**241,930**	**241,930**
Short term investments	35	46,272	46,272	26,084	26,084
Inventory	38	498	498	790	790
Short Term Debtors	39	64,902	64,902	59,438	59,438
Assets held for sale (< 1 year)	41	2,870	2,870	2,430	2,430
Cash and Cash equivalents	40	29,663	29,663	43,144	43,144
Current Assets		**144,204**	**144,204**	**131,886**	**131,886**
Short-term borrowing	34	(4,332)	(4,332)	(1,569)	(1,569)
Bank Overdraft	40	(448)	(448)	(1,234)	(1,234)
Short-term Creditors	42	(48,376)	(48,376)	(53,652)	(53,652)
Accumulated Absences	44	0	(3,718)	0	(11,275)
Provisions	21	(897)	(897)	(878)	(878)
Donated Inventories Account	38	0	0	(333)	(333)
Current Liabilities		**(54,054)**	**(57,771)**	**(57,667)**	**(68,942)**
Capital Long-Term Borrowing	34	(99,223)	(99,223)	(98,333)	(98,333)
Pensions Liability	19	(2,864)	(7,826,051)	(5,543)	(8,576,287)
Long-Term Liabilities		**(102,087)**	**(7,925,274)**	**(103,876)**	**(8,674,620)**
Net Assets:		**225,881**	**(7,601,023)**	**212,273**	**(8,369,746)**
Usable Reserves:					
Usable Capital Receipts Reserve	26	(6,344)	(6,344)	(6,131)	(6,131)
Other Earmarked Reserves	27	(38,960)	(38,960)	(56,367)	(56,367)
General Fund Reserves	27	(12,042)	(12,042)	(11,227)	(12,042)
Budget Reserve	27	(9,133)	(9,133)	(1,283)	(1,283)
Capital Grants Unapplied	26	(892)	(892)	(562)	(562)
Unusable Reserves:					
Capital Adjustment Account	44	(130,235)	(130,235)	(115,345)	(115,345)
Revaluation Reserve	44	(30,354)	(30,354)	(29,754)	(29,754)
Pensions Reserve	19	2,864	7,826,051	5,594	8,577,154
Deferred Capital Receipts	36	(752)	(752)	(554)	(554)
Pooled Investment Funds Adjustment Acct	44	520	520	552	552
Collection Fund Adjustment Account	44	(555)	(555)	2,803	2,803
Accumulated Compensated Absences Account	44	0	3,717	0	11,275
Total Reserves:		**(225,881)**	**7,601,023**	**(212,273)**	**8,369,746**

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

GROUP AND PCC CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the PCCWM during the reporting period. As the CCWMP does not handle cash transactions, the Group and PCCWM Cash flow statements include the same entries. The statement shows how the PCCWM generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCCWM are funded by way of taxation and grant income or from the recipients of services provided by the PCCWM. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCCWM's future service delivery. Cash flows from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the PCCWM.

As at 31 March 2020 £'000	£'000		Note	As at 31 March 2021 £'000	£'000
		Operating Activities			
		EXPENDITURE			
537,732		Cash paid to and on behalf of employees		580,981	
144,070		Cash paid to the suppliers of goods and services		149,319	
3,568		Interest paid		3,498	
685,370		Cash outflows generated from operating activities		**733,798**	
		INCOME			
(127,607)		Council tax receipts		(133,838)	
(181,298)		Non-domestic rates		(193,942)	
(355,387)		Other Government grants		(414,245)	
(23)		Rents		(17)	
(1,477)		Interest received		(896)	
(33,704)		Other receipts from operating activities		(35,269)	
(699,498)		Cash inflows generated from operating activities		**(778,206)**	
	(14,128)	**Net cash flows from operating activities**			**(44,409)**
		Investing activities			
		EXPENDITURE			
39,608		Purchase of property, plant and equipment and intangible assets		45,044	
0		Purchase of short term and long term investments		0	
39,608		Cash outflows generated from investing activities		**45,044**	
		INCOME			
(2,933)		Proceeds from the sale of property, plant and equipment and intangible assets		(1,873)	
(31,059)		Proceeds from short and long term investments		(15,128)	
(33,992)		Cash inflows generated from investing activities		**(17,001)**	
	5,616	**Net cash flows from investing activities**			**28,043**
		Financing activities			
	(15,000)	Cash receipts of short and long term borrowing			0
	1,286	Repayments of short and long term borrowing			3,639
	43	Other Payments for Financing Activities			31
	(13,671)	**Net cash flows from financing activities**			**3,670**
	(22,183)	Net (increase)/decrease in cash and cash equivalents	45		**(12,696)**
	7,032	Cash and cash equivalents at the beginning of the reporting period	46		**29,214**
	29,214	Cash and cash equivalents at the end of the reporting period	46		**41,910**

west midlands police and crime commissioner

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1. STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Group and PCC's transactions for the 2020-21 financial year and its position at the year end of 31 March 2021. The Commissioner is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and supported by International Financial reporting Standards. Guidance notes issued by CIPFA on the application of accounting standards to local authorities have in general been followed, and any exceptions to this are disclosed below. The policies below reflect the powers and responsibilities of the Police and Crime Commissioner as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012.

a. Property, Plant and Equipment

Recognition

Assets that have physical substance and are held for use in the supply of police services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. These Non-Current Assets are disclosed in the Balance Sheet at current value based on valuation or depreciated historic cost. The cost of an item of Property, Plant and Equipment is recognised where it is probable that the future economic benefits or service potential associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

Assets made up of a number of components with significantly different economic lives have been reviewed to identify if these components should be treated as separate assets and depreciated over their own useful economic lives per the requirements of the CIPFA code of practice on Local Authority Accounting in the United Kingdom 2020-21. It has been determined that such treatment does not make a material difference to the values of the Group's assets and component accounting of these assets has not been applied in 2020-21. This approach will be reviewed each year but is not expected to apply to buildings as replacement items are generally purchased from revenue budgets.

Items of capital expenditure with values below £10,000 which do not form part of a combined asset for a single purpose may be considered de minimis if there is limited benefit in classifying it as capital expenditure and will therefore not be recorded as a non-current asset if this is the case.

Measurement

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

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

Property assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year-end, but as a minimum every five years. Revaluation gains will be recognised in the Revaluation Reserve unless they reverse a previous Revaluation loss. All Revaluation losses on revalued assets will be recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset. Thereafter revaluation losses will be

recognised in the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement. No distinction will be made between losses due to the clear consumption of economic benefit and those due to a general fall in prices specific to the asset.

Where there is no active market because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

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

Impairment

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

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

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

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

Valuation

Freehold properties which the Group includes in its property portfolio were valued in December 2018 by Savills (Property Agents) in accordance with the statements of asset valuation practice and guidance notes of the Royal Institution of Chartered Surveyors. Property and the associated land will be revalued at intervals no greater than five years. Buildings are written down over their useful lives as provided at valuation. Revalued assets have been valued at current value based on Existing Use Value in accordance with International Financial Reporting Standards or Depreciated Replacement cost for specialised assets.

Plant and machinery is included in the valuation of the building in which it is located. ICT and General Equipment is valued at depreciated historic cost as a proxy for fair value as the assets are written down to give a useful life of less than five years. Vehicles are also valued at depreciated historic cost and lives are set when purchased as between three and ten years to reflect the proposed use for the vehicle.

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives with the exception of freehold land and assets under construction. Where land value is measured separately, it is deemed to have an indefinite life and is therefore not depreciated. Depreciation is calculated on a straight line allocation over the useful life of the property or equipment.

Asset category	Min Asset Life (years)	Max Asset life (years)
Buildings	5	75
Vehicles, IT & Equipment	3	10
Intangibles	2	20

b. Intangible Assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Group's business or which arise from contractual or other legal rights where expenditure of at least £10,000 is incurred. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to the Group and where the cost of the asset can be measured reliably.

Internally generated intangible assets

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

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

Software

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

Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point where it is capable of operating in the manner intended by management. If an active market arises for any internally generated intangible assets these would then be valued at fair value.

Amortisation

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

c. Assets Held for Sale

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

d. Intra-group funding arrangements and cost recognition

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

e. Redemption of Debt

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

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

f. Leasing

Rental payments on operating leases are charged to the revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable. For finance leases where the Group is a lessee the Group recognises finance leases as assets and liabilities at the present value of the minimum lease payments. The Group's incremental borrowing rate on PWLB loans is used to determine the interest rate implicit in the lease. Any initial indirect costs of the lease are added to the value of the asset. In 2020-21 the PCCWM has not recognised any finance leases, however a review takes place each year to determine if any finance leases exist.

g. Debtors and Creditors

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

The outstanding debt owing to the PCCWM is analysed at the end of each year. This analysis has historically highlighted that there is a very low risk of non-payment of debts. Therefore, the PCC has historically not provided for expected credit losses on trade debtors but may do so should circumstance change. However, it does recognise a proportion of Billing Authority impairment allowance for expected credit losses for non-payment of council tax in its Balance Sheet. The overall position regarding collection fund balances is shown in the collection fund adjustment account.

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

h. Inventories and long-term contracts

Inventories are maintained for such items as vehicle spares, vehicle fuel, uniforms, stationery and reprographics.

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

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

i. Reserves

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

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

j. Provisions

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

Provisions are charged as an expense in the Comprehensive Income and Expenditure Statement in the year that the PCC/Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Any estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement is made) the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

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

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

k. Contingent Liabilities and Contingent Assets

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

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

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

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

l. Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest payable. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

m. Financial Assets

The financial assets of the Group are classified by identifying the cash flow characteristics associated with the asset and the Business model reasoning for holding the asset. This will classify the value of the asset to be disclosed in the accounts which will be either Amortised cost, Fair value through Other Comprehensive Income or Fair value through Profit or Loss.

Investments with other Local Authority Bodies, Banks and Building Societies will be carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount of loans presented in the Balance Sheet is the outstanding principal receivable plus accrued interest receivable. The interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Assets are assessed for impairment due to the likelihood arising from a past event that payments due under the contract will not be made. If the value of the potential impairment is material to the investment, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise the risk is disclosed within the Accounts, but the carrying amount is not adjusted.

Other Financial Assets held not solely for payment of principal and interest which don't achieve their Business model through collecting contractual cash flows will be classified as Fair Value through Profit or loss. For these assets, gains and losses in Fair value will be applied to the Surplus and Deficit on the Provision of Services in the year they arise. Where statutory regulations exist for Pooled Investment Funds, gains and losses on these assets are held in an unusable reserve for the duration of the regulation or until the asset is derecognised.

n. Treatment of Grants

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

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

Since the Group accounts have been completed on an IFRS basis, revenue and capital grants and contributions will be accounted for on an accruals basis and recognised immediately as income in the Comprehensive Income and Expenditure Statement, except to the extent that the grant or contribution has a condition attached which the Group has not yet satisfied. Such grants and contributions will be recognised initially in the relevant grants and contributions received in advance account. Capital grants that do not have any conditions imposed upon them and which are not spent at the year-end will be transferred to the Capital Grants Unapplied Account.

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

o. Employee Benefits

Benefits payable during employment

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Group to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the Surplus or Deficit on the Provision or Services in the Comprehensive Income and Expenditure Statement when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for restructuring.

Post-employment benefits

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

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

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

- The rate of contribution in 2020-21 was 18.8% on average.

- The liabilities of the scheme attributable to the Group are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of future earnings for current employees.

- 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).

- The assets of the fund attributable to the Group are included in the Balance Sheet at their fair value:

    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value

- The change in the net pensions liability is analysed into the following components:

    i. *Current service cost* –the increase in liabilities as a result of years of service earned this year
    ii. *Past service cost* – the increase in liabilities as a result of a scheme curtailment or amendment whose effect relates to years of service earned in earlier years – this is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    iii. *Net interest on the net defined benefit liability (asset)* – net interest expenses for the Group – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
    iv. *Gains or losses on settlements and curtailments* – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
    v. *Re-measurements* – this comprises of (1) the return on plan assets excluding the amount included in net interest on the net defined pension liability (asset) charged to the Pension Reserve as Other Comprehensive Income and Expenditure and (2) actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    vi. *Contributions paid to the pension fund* - cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

The PCC will recognise the cost of police staff pensions for those staff under his direction and control as these costs are provided separately by the actuary.

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

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

An allowance for the McCloud adjustment is included within the pension liability. The McCloud adjustment came about as a result of the Government reformed public service pension schemes in 2014 and 2015 in which they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination.

p. Interest

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

q. Council Tax Income

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

The difference between the council tax precept income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation is included in the Collection Fund Adjustment Account and as a reconciling item in the Movement in Reserves Statement. The Collection Fund Adjustment Account is shown as part of the unusable reserves in the Balance Sheet.

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

r. Cash and Cash Equivalents

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

s. Revenue Recognition

Revenue will be recognised to depict the transfer of promised goods or services to the service recipient in an amount that reflects the consideration to which the PCC/Group expects to be entitled in exchange for those goods or services. This will occur when a performance obligation is satisfied by transferring a promised good

or service to a service recipient either at the time of transfer, for obligations satisfied at a point in time, or over time, using accruals where necessary to recognise revenue in the financial year the obligation has been met.

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

t. Value Added Tax

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

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

u. Events after the Balance Sheet date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – these are known as adjusting events and the Statement of Accounts is adjusted to reflect these events

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

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

v. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised at the time of transfer to the purchaser and when it is probable that economic benefits or service potential associated with the transaction will flow to the Group

- Revenue from the provision of services is recognised when the Group can measure reliably the performance obligations of the transaction which are completed and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for retrospectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

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

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

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

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

x. Joint Operations

Joint operations are arrangements where the parties have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The PCC has 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 2020-21 (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. There are no amendments which are expected to have a material effect on the information provided in the financial statements.

IFRS 16 Leases

The IASB issued IFRS 16 Leases in January 2016. The standard has an effective date of 01 January 2019 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 CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) agreed in April 2020 to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments, moving the effective date for implementation to 1 April 2021. The CIPFA LASAAC Local Authority Accounting Code Board agreed in late 2020 in response to pressures on council finance teams as a result of the COVID-19 pandemic to defer the implementation of IFRS 16 Leases in the Code of Practice on Local Authority Accounting in the United Kingdom (the code) until the 2022-23 financial year. This aligns with the decision at the Government's Financial Reporting Advisory Board to establish a new effective date of 1 April 2022 for the implementation of IFRS 16.

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in the Statement of Accounts in 2020-21 the PCC has had to make certain judgements about complex transactions which could significantly affect the amounts recognised in the financial statements. The critical judgements made in the statement of accounts are presented in the following paragraph:

- A judgement has been made about the cost to be included in the financial statements in relation to the Chief Constable and the impacts of this on the PCC and Group accounts.
  Following the Stage 2 transfer of resources, which was interpreted based on the Scheme of Consents and Delegation between the two corporation soles, the Chief Constable controls and directs police officers, PCSOs and the majority of police staff (excluding those staff directly employed by the PCC to manage his office), therefore all pay and pensions costs associated with these staff groups are presented in the Chief Constable's accounts. The CFOs for the PCC and Chief Constable have determined that the non-pay costs attributable to the assets and liabilities of the PCC will also form part of the cost of the Chief Constable, since these are consumed under his direction. The carrying value of the assets and liabilities remain with the PCC as he has control of them.

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

The statement of Accounts contains estimated figures that are based on assumptions made by the Group about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the PCCWM and Group Balance Sheet as at 31 March 2021 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 by the pension scheme. The PCC uses two firms of actuaries to provide the Group with expert advice about the assumptions to be applied to the Police Pension Schemes and the Local Government Pension Scheme.	The effects on the net pension liability of changes in individual assumptions can be measured but they interact in complex ways. The overall pension's liability as at 31 March 2021 is £8,576m (£7,826m in 2019-20). So a very small percentage change in the overall liability can have a material impact on the accounts.
Land and Building Valuations	The impact of COVID-19 has affected market valuations for areas including the real estate market. The extent of that impact at the Balance Sheet date was not fully realised. The valuers employed by the PCC have reported under material valuation uncertainty regulations.	Operational land and buildings valued at existing use or fair value within the balance sheet as at 31 March 2021 is held at a Net Book Value of £137.0m.

5. EVENTS AFTER THE BALANCE SHEET DATE

It was announced in June 2021 that West Midlands Police along with South Yorkshire Police agreed the settlement of a civil claim relating to the Hillsborough disaster in 1989. The exact amount of compensation is yet to be agreed. This is currently included as a contingent liability.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

6. EXPENDITURE AND FUNDING ANALYSIS

2019-20 Net Expenditure Chargeable to the General Fund Balance £'000	2019-20 Adjustments between Funding and Accounting Basis £'000	2019-20 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	GROUP	2020-21 Net Expenditure Chargeable to the General Fund Balance £'000	2020-21 Adjustments between Funding and Accounting Basis £'000	2020-21 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
			Chief Constable			
545,698	93,330	639,028	Policing Services	571,374	144,575	715,949
11,060	(23)	11,037	WMP 2020 Projects	17,202	(2,714)	14,488
			Police and Crime Commissioner			
2,418	223	2,641	Office of the PCC	2,771	301	3,072
6,708	32	6,740	Commissioned Services	7,131	67	7,198
565,884	**93,562**	**659,446**	**Net Cost of Services**	**598,478**	**142,229**	**740,707**
(567,757)	107,948	(459,809)	Other Income and Expenditure	(608,037)	88,894	(519,143)
(1,873)	**201,510**	**199,637**	**Surplus or Deficit**	**(9,559)**	**231,123**	**221,564**

2019-20 Net Expenditure Chargeable to the General Fund Balance £'000	2019-20 Adjustments between Funding and Accounting Basis £'000	2019-20 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	PCC	2020-21 Net Expenditure Chargeable to the General Fund Balance £'000	2020-21 Adjustments between Funding and Accounting Basis £'000	2020-21 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
			Police and Crime Commissioner			
2,418	223	2,641	Office of the PCC	2,771	301	3,072
6,708	32	6,740	Commissioned Services	7,131	67	7,198
553,796	4,733	558,529	Funding to the CC	589,391	24,111	613,502
562,922	**4,988**	**567,910**	**Net Cost of Services**	**599,293**	**24,479**	**623,772**
(567,757)	(7,944)	(575,701)	Other Income and Expenditure	(608,037)	(3,069)	(611,106)
(4,835)	**(2,956)**	**(7,791)**	**Surplus or Deficit**	**(8,743)**	**21,410**	**12,667**

	Group		PCC	
	2019-20	**2020-21**	**2019-20**	**2020-21**
Opening General Fund Balance	(58,261)	(60,134)	(55,299)	(60,134)
Less Deficit on General Fund Balance in Year	(1,873)	(9,559)	(4,835)	(8,743)
Closing General Fund Balance at 31 March	(60,134)	(69,693)	(60,134)	(68,877)

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2020-21 GROUP	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
Chief Constable				
Policing Services	26,911	110,106	7,558	144,575
WMP 2020 Projects	(2,714)			(2,714)
Police and Crime Commissioner				
Office of the PCC		301		301
Commissioned Services		67		67
Net Cost of Services	**24,197**	**110,474**	**7,558**	**142,229**
Other Income and Expenditure	(6,494)	92,030	3,358	88,894
Surplus or Deficit	**17,703**	**202,504**	**10,916**	**231,123**

2019-20 GROUP	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
Chief Constable				
Policing Services	4,698	88,170	462	93,330
WMP 2020 Projects	(23)	0	0	(23)
Police and Crime Commissioner				
Office of the PCC	0	223	0	223
Commissioned Services	0	32	0	32
Net Cost of Services	**4,675**	**88,425**	**462**	**93,562**
Other Income and Expenditure	(9,283)	115,952	1,279	107,948
Surplus or Deficit	**(4,608)**	**204,377**	**1,741**	**201,510**

Note 1 – This column adds in depreciation, impairments and revaluation losses, it also adjusts for Capital disposals, Capital Grants and MRP
Note 2 – This shows which lines have been affected by the removal of pension contributions and replaced with IAS 19 transactions
Note 3 – This column includes adjustments for Collection Fund and Accumulated Absences adjustments

2020-21 PCC	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
Police and Crime Commissioner				
Office of the PCC		301		301
Commissioned Services		67		67
Funding to the CC	24,197	(86)		24,111
Net Cost of Services	**24,197**	**282**	**0**	**24,479**
Other Income and Expenditure	(6,494)	67	3,358	(3,069)
Surplus or Deficit	**17,703**	**349**	**3,358**	**21,410**

2019-20 PCC	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
Police and Crime Commissioner				
Office of the PCC	0	223	0	223
Commissioned Services	0	32	0	32
Funding to the CC	4,675	58	0	4,733
Net Cost of Services	**4,675**	**313**	**0**	**4,988**
Other Income and Expenditure	(9,283)	60	1,279	(7,944)
Surplus or Deficit	**(4,608)**	**373**	**1,279**	**(2,956)**

Note 1 – This column adds in depreciation, impairments and revaluation losses, it also adjusts for Capital disposals, Capital Grants and MRP
Note 2 – This shows which lines have been affected by the removal of pension contributions and replaced with IAS 19 transactions
Note 3 – This column includes adjustments for Collection Fund and Accumulated Absences adjustments

8. SUBJECTIVE ANALYSIS OF THE NET COST OF POLICE SERVICES

2019-20 PCC Outturn £'000	2019-20 Group Outturn £'000		2020-21 PCC Outturn £'000	2020-21 Group Outturn £'000
0	494,930	Police Pay and Allowances	0	502,861
2,400	172,319	Police Staff and PCSO Pay and Allowances	3,181	194,109
55	6,604	Other Employee Expenses	168	6,565
2,455	**673,853**	**Sub Total Employee Costs**	**3,349**	**703,535**
0	21,944	Premises Related Costs	0	23,255
52	7,157	Transport/Travel Costs	1	7,986
737	68,364	Supplies & Services	877	89,604
14,532	29,676	Collaborative working Expenses	16,385	31,601
0	15,472	Capital Financing Costs	0	42,751
17,776	**816,466**	**TOTAL GROSS EXPENDITURE**	**20,613**	**898,732**
(8,395)	(117,113)	External Income	(10,449)	(158,336)
0	(39,906)	Non-Distributed Costs	106	311
9,381	**659,446**	**NET COST - GENERAL FUND SERVICES**	**10,270**	**740,707**

9. COLLABORATIVE WORKING EXPENDITURE

	PCC 31 March 2020 £'000	Group 31 March 2020 £'000	PCC 31 March 2021 £'000	Group 31 March 2021 £'000
Levies	0	4,584	0	5,458
Government Departments	41	269	0	188
NHS Bodies	180	247	305	350
Academies	169	173	105	114
Other Police Forces	6	6,397	0	5,435
Other Local Authorities	3,808	5,417	2,845	4,395
All other bodies	10,328	12,589	13,130	15,661
Total Collaborative expenditure	**14,532**	**29,676**	**16,385**	**31,601**

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

10. EMPLOYEE REMUNERATION

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

2019-20 Police Officers	2019-20 Police Staff	2019-20 Total	Earnings Band	2020-21 Police Officers	2020-21 Police Staff	2020-21 Total
5,406	4,144	9,550	Less than £49,999	6,047	4,388	10,435
601	53	654	£50,000-£54,999	583	51	634
347	19	366	£55,000 - £59,999	403	45	448
81	15	96	£60,000 - £64,999	145	17	162
31	13	44	£65,000 - £69,999	35	9	44
21	7	28	£70,000 - £74,999	20	10	30
9	4	13	£75,000 - £79,999	12	7	19
10	1	11	£80,000 - £84,999	11	4	15
10	3	13	£85,000 - £89,999	12	3	15
9	3	12	£90,000 - £94,999	12	1	13
15	0	15	£95,000 - £99,999	14	4	18
6	1	7	£100,000 - £104,999	4	1	5
0	1	1	£105,000 - £109,999	2	0	2
1	0	1	£110,000 - £114,999	2	0	2
0	0	0	£115,000 - £119,999	0	2	2
0	0	0	£120,000 - £124,999	0	0	0
0	0	0	£125,000 - £129,999	0	0	0
1	0	1	£130,000 - £134,999	0	1	1
0	0	0	£135,000 - £139,999	0	0	0
0	1	1	£140,000 - £144,999	0	0	0
0	0	0	£145,000 - £149,999	1	0	1
1	0	1	£150,000 - £154,999	0	0	0
0	0	0	£155,000 - £159,999	0	0	0
0	0	0	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	0	0	0
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
0	0	0	£185,000 - £189,999	0	0	0
0	0	0	£190,000 - £194,999	0	0	0
0	0	0	£195,000 - £199,999	0	0	0
1	0	1	£200,000 - £204,999	0	0	0
0	0	0	£205,000 - £209,999	1	0	1
6,550	**4,265**	**10,815**	**Totals**	**7,304**	**4,543**	**11,847**

11. SENIOR OFFICERS REMUNERATION

This note has been prepared in accordance Account and Audit Regulations 2015. This aims to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with stewardship of the organisation. The regulations require that persons whose annual salary is more than £150,000 are identified by their job title and their name, and that senior employees and relevant police officers earning more than £50,000 (but less than £150,000) are identified by their job title.

Senior Officers' remuneration in 2020-21

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
Chief Constable for West Midlands Police						
Chief Constable D Thompson		205.4	4.7	210.1	22.6	232.7
Deputy Chief Constable L Rolfe	*1*	38.2	0	38.2	11.6	49.8
Deputy Chief Constable V Jardine	*2*	149.6	1.0	150.6	45.3	195.9
Assistant Chief Constable (1)	*3*	52.7	0	52.7	14.2	66.9
Assistant Chief Constable (2)	*4*	79.4	0	79.4	17.6	97.0
Assistant Chief Constable (3)	*5*	15.1	0.8	15.9	3.1	19.0
Assistant Chief Constable (4)		104.5	7.7	112.2	31.3	143.5
Assistant Chief Constable (5)		110.1	0.5	110.6	34.1	144.7
Assistant Chief Constable (6)	*6*	69.9	0	69.9	19.8	89.7
Assistant Chief Constable (7)	*7*	4.4	0	4.4	1.0	5.4
Assistant Chief Constable (8)		96.3	5.6	101.9	28.9	130.8
Director of Commercial Services		115.2	4.0	119.2	21.6	140.8
Director of People & Organisation Development		130.7	0	130.7	21.6	152.3
Total:		**1,117.5**	**24.3**	**1,195.8**	**272.7**	**1,468.5**

**Benefits in kind in the draft Statement of Accounts are estimated values. Actual values from P 11 D information will appear in the audited Statement of Accounts*

Notes:

1. DCC - Louisa Rolfe vacated her role as Deputy Chief Constable on 28th June 2020
2. DCC - Vanessa Jardine commenced her role as Deputy Chief Constable on 29th June 2020, having been promoted from Assistant Chief Constable
3. ACC (1) commenced temporary role of Assistant Chief Constable on 28th September 2020
4. ACC (2) vacated role of Assistant Chief Constable on 25th September 2020
5. ACC (3) vacated role of Temporary Assistant Chief Constable on 14th June 2020
6. ACC (6) commenced his role of Temporary Assistant Chief Constable on 1st August 2020
7. ACC (7) vacated role of Assistant Chief Constable on 20th April 2020

Post holder information	Notes	Salary (inc fees and allowances)	Compensation for loss of office	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000	£'000
Police and Crime Commissioner for West Midlands							
Police and Crime - Commissioner Mr David Jamieson		100.0	0	0	100.0	17.1	117.1
Police and Crime – Deputy Commissioner (1)	*1*	63.1	0	0	63.1	0.0	63.1
Police and Crime – Deputy Commissioner (2)	*2*	6.7	0	0	6.7	0.9	7.6
West Midlands Office for Policing and Crime - Chief Executive		120.6	0	0	120.6	20.6	141.3
West Midlands Office for Policing and Crime – Deputy Chief Executive		97.5	0	0	97.5	16.7	114.3
West Midlands Office for Policing and Crime – Chief Finance Officer		89.5	0	0	89.5	15.3	104.8
West Midlands Office for Policing and Crime – Legal Advisor	*3*	36.8	5.3	0	42.1	109.7	151.8
Total:		**514.2**	**5.3**	**0**	**519.5**	**180.3**	**699.8**

Notes:

1. The West Midlands OPCC Deputy Crime Commissioner (1) was appointed on the 13th May 2020

2. The West Midlands OPCC Deputy Crime Commissioner (2) vacated their role on 1st May 2020

3. The West Midlands OPCC Legal Advisor was made redundant on the 30th October 2020. The postholder was employed for 0.39 FTE with an annualised equivalent salary of £95,525. The Employers pension contribution includes charges from the Local Government Pension Scheme, known as pension strain costs, which are contributions up to the individual's normal retirement date.

Senior Officers' remuneration in 2019-20

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
Chief Constable for West Midlands Police						
Chief Constable D Thompson		200.5	4.7	205.2	61.2	266.4
Deputy Chief Constable L Rolfe		154.7	4.8	159.5	46.9	206.4
Assistant Chief Constable (1)	*1*	74.2	2.3	76.5	20.3	96.8
Assistant Chief Constable (2)	*2*	86.0	0.8	86.8	25.7	112.5
Assistant Chief Constable (3)		114.4	1.0	115.4	34.4	149.8
Assistant Chief Constable (4)	*3*	47.4	3.0	50.4	12.7	63.1
Assistant Chief Constable (5)	*4*	4.3	0.6	4.9	1.2	6.1
Assistant Chief Constable (6)	*5*	85.2	0.4	85.6	26.4	112.0
Assistant Chief Constable (7)		69.0	5.0	74.0	35.9	109.9
Assistant Chief Constable (8)	*6*	28.6	1.9	30.5	8.8	39.3
Director of Commercial Services		108.5	4.0	112.5	18.3	130.8
Director of People & Organisation Development	*7*	53.5	0	53.5	7.9	61.4
Director of People & Organisation Development	*8*	8.0	0	8.0	1.4	9.4
Director of People & Organisation Development	*9*	52.1	0	52.1	7.7	59.8
Total:		**1,086.4**	**28.5**	**1,114.9**	**308.8**	**1,423.7**

Notes:

1. ACC (1) vacated her role of Assistant Chief Constable on 27th October 2019

2. ACC (2) commenced role of Assistant Chief Constable on 8th July 2019

3. ACC (4) commenced temporary role of Assistant Chief Constable on 10th June 2019

4. ACC (5) commenced temporary role of Assistant Chief Constable on 16th March 2020

5. ACC (6) commenced temporary role of Assistant Chief Constable on 3rd June 2019

6. ACC (8) vacated temporary role of Assistant Chief Constable on 9th July 2019 and recommenced temporary role of Assistant Chief Constable on 23rd March 2020

7. Director of POD vacated her role of Director of People & Organisation Development on 30th August 2019

8. Director of POD commenced temporary role of Director of People and Organisation Development on 2nd September 2019 until 4th November 2019

9. Director of POD commenced role of Director of People and Organisation Development on 4th November 2019

Post holder information	Notes	Salary (inc fees and allowances)	Compensation for loss of office	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000	£'000
Police and Crime Commissioner for West Midlands							
Police and Crime - Commissioner Mr David Jamieson		100.0			100.0	16.7	116.7
Police and Crime – Deputy Commissioner	*1*	48.3			48.3	8.1	56.4
West Midlands Office for Policing and Crime - Chief Executive	*2*	144.5			144.5	24.1	168.6
West Midlands Office for Policing and Crime – Deputy Chief Executive	*3*	29.1			29.1	4.9	34.0
West Midlands Office for Policing and Crime – Chief Finance Officer		78.3			78.3	13.1	91.4
West Midlands Office for Policing and Crime – Legal Advisor	*4*	36.8			36.8	6.1	42.9
Total:		**437.0**			**437.0**	73.0	510.0

Notes:

1. The West Midlands OPCC Deputy Crime Commissioner was appointed on the 1st June 2019
2. The West Midlands OPCC Chief Executive received £24.1k in August 2019 which related to 2018-19 following a salary review
3. The West Midlands OPCC Deputy Chief Executive was appointed on the 1st January 2020
4. The West Midlands OPCC Legal Advisor is employed for 0.39 FTE. The postholders annualised equivalent salary is £94,170

12. TERMINATION BENEFITS

This note discloses of the number and cost of agreed exit packages. It splits exit packages between those which relate to a compulsory redundancy and those which relate to other redundancy and departure costs.

Cost band	No. of compulsory redundancies		No. of other agreed departures		Total No. of exit packages by cost band		Total cost of exit packages in each band	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
							£'000	£'000
£0 - £19,999	2	4	11	10	13	14	82	126
£20,000 - £39,999	1	0	1	2	2	2	57	48
£40,000 - £59,999	0	0	1	1	1	1	54	51
£60,000 - £79,999	0	0	1	2	1	2	75	137
£80,000 - £99,999	0	0	1	0	1	0	90	0
£100,000 +	0	1	0	1	0	2	0	290
Total	**3**	**5**	**15**	**16**	**18**	**21**	**359**	**652**

13. EXTERNAL AUDIT COSTS

In 2020-21 the PCCWM incurred the following fees relating to external audit:

	Police and Crime Commissioner		Group	
	2019-20 £'000	2020-21 £'000	2019-20 £'000	2020-21 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	33	33	50	50
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for a prior year	2	7	5	10
Fees Refunded by PSAA with regard to a prior year	(4)	0	(6)	0

The appointed auditor in 2020-21 was Grant Thornton UK LLP. The fee payable by the PCCWM for the audit of the PCC and Group Accounts is £32,623. There is a further fee of £17,325 for the Audit of the Chief Constable of West Midlands Police accounts making a total fee of £49,948 for the Police and Crime Commissioner Group. Additional fees of £10,150 were charged by Grant Thornton for work done relating to the 2019-20 accounts.

14. GRANT INCOME

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

	CCWMP 2019-20 £'000	PCCWM 2019-20 £'000	CCWMP 2020-21 £'000	PCCWM 2020-21 £'000
Credited to Taxation and Non Specific Grant Income				
Police Grant	0	259,664	0	279,501
DCLG Grant	0	181,298	0	193,942
Council Tax Support Grant	0	19,026	0	19,026
Pensions top up grant receivable	89,347	0	84,636	0
Capital Grants Received	0	8,635	0	6,230
Total	89,347	468,623	84,636	498,699
Credited to Police Services				
Loan Charges Grant	566	0	571	0
Counter Terrorism Grant	57,198	0	61,138	0
Victims' Support Grant	0	3,347	0	4,486
Serious Violence Grant	7,189	3,370	5,065	3,370
COVID-19 Grant	1,041	0	12,995	0
Commonwealth Games	1,647	0	6,506	0
Other Grants	11,543	1,574	30,611	2,504
	79,184	8,291	116,886	10,360

15. RELATED PARTY TRANSACTIONS

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

Central Government

The UK Government exerts significant influence over the operations of the PCCWM – it is responsible for providing the statutory operating framework and provides the majority of funding in the form of grants. Details of transactions with government departments are set out in note 14 above showing grant income credited to the Comprehensive Income and Expenditure Statement.

Pension Schemes and Precepts

The Local Government Pension Scheme is administered by Wolverhampton City Council and the PCCWM has made payments to them of £32.5m in 2020-21 (£25.1m in 2019-20). Payments we have received from other Local Authorities in the form of precept income from Council Tax payers are detailed within the Comprehensive Income and Expenditure Statement.

Members and Senior OPCC staff

Members of the Strategic Policing and Crime Board have direct control over the PCC's financial and operating policies. The PCC, his Assistant PCCs, Strategic Policing and Crime Board members, Chief Officers within the Office for the PCCWM and Police force Chief Officers have signed a declaration regarding related party transactions.

No members of the Strategic Policing and Crime Board have declared related party interests in this financial year.

Force Senior Officers

No Chief Officers of the Force have declared any related party transactions in 2020-21.

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

The PCCWM has a pooled budget arrangement for the joint operation of the Central Motorway Police Group in conjunction with his counterpart at Staffordshire. Transactions and balances in relation to this jointly controlled operation are detailed in note 47.

Transactions with related parties who are not Strategic Policing and Crime Board members, PCCWM officers or Chief Officers are shown in the debtor and creditor balances in notes 39 and 42 respectively.

16. MEMBERS ALLOWANCES

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

	2019-20 £'000	2020-21 £'000
Allowances paid	208	167
Expenses	3	2

17. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2019-20 Outturn £'000		2020-21 Programme £'000	2020-21 Outturn £'000
	Property Plant and Equipment comprising:		
	Land and Buildings:		
22,397	New Police Buildings	34,813	20,419
0	Improvements and Adaptations	490	0
	Vehicles and Equipment:		
5,225	Vehicles	7,380	4,771
8,151	IT and Equipment	4,327	9,155
6,766	Intangibles	4,161	7,354
26	REFCUS	0	0
42,565	**TOTAL**	**51,171**	**41,699**
	FINANCING OF EXPENDITURE		
11,562	Capital Grants	2,810	6,560
34	Capital Receipts	10,711	2,283
0	Capital Reserve	0	0
8,572	Direct Revenue Financing	17,650	15,688
22,397	Prudential Borrowing	20,000	17,168
42,565	**TOTAL**	**51,171**	**41,699**

The opening Capital Financing Requirement (CFR) at the start of the current reporting period was £63.5m and the closing CFR was £78.7m. The increase in the CFR is made up of the Prudential Borrowing applied to Capital Financing less the Minimum Revenue Provision (MRP) representing a decrease in the underlying need to borrow.

18. LEASES

Operating Leases

The PCCWM leases several of the properties which it occupies. The amount paid in respect of property rentals in 2020-21 was £2.26m including service charges and insurance.

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

	31 March 2020 £'000	31 March 2021 £'000
Within one year	812	880
Within two to five years	1,642	2,191
After more than five years	1,661	1,803
Total	**4,115**	**4,874**

Finance leases

The PCCWM does not have any finance leases in 2020-21.

19. DEFINED BENEFIT PENSION SCHEMES

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

The Group participates in two post-employment schemes:

- The Local Government Pension Scheme for civilian employees (typically police support staff rather than front line officers), administered by West Midlands Pension Fund. This is a funded defined benefit 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 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 full due.

Police pensions operate under three schemes: The 1987 scheme which no new members can now join, the 2006 Police pension scheme which all officers joining a pension scheme since 1 April 2006 became a member of and the 2015 scheme which all new officers join and many 2006 members transferred to in 2015-16. In addition the disclosures which follow also show the costs of police injury awards separately as the costs of injury pensions are material in their own right. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the PCCWM must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by Central Government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the PCCWM which then must repay the amount to Central Government.

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

The tables which follow show pension transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year. The statements which follow show transactions for the group as a whole. Police Officer pension's costs are disclosed in full in the accounts of the Chief Constable as all police officers are deemed to operate under the direction and control of the Chief Constable. Pension costs for Police Staff and PCSOs have been split to show the costs of providing pensions for those staff under the direction and control of the PCC separately from those under the direction and control of the Chief Constable. The staff under the direction and control of the PCC are those involved in running the Office for the Police and Crime Commissioner.

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

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

Pension transactions within the Comprehensive Income and Expenditure Statement

2020-21	Local Government Pension Scheme PCC element	Local Government Pension Scheme Group	1987 Police Pension Scheme	Police Injury Awards	2006 Police Pension Scheme	2015 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net cost of services:							
Current service cost	(657)	(41,963)	(18,130)	(4,090)	(1,430)	(153,320)	**(218,933)**
Past service (cost)/ gain							
Curtailments	(106)	(311)					**(311)**
Financing and Investing Income & Expenditure:							
Net Interest cost	(63)	(6,954)	(146,190)	(2,390)	(6,750)	(13,910)	**(176,194)**
Administration costs	(4)	(472)					**(472)**
Total post-employment benefits charged to the surplus or deficit on the provision of Services	**(830)**	**(49,700)**	**(164,320)**	**(6,480)**	**(8,180)**	**(167,230)**	**(395,910)**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	**0**
Re-measurements of the net defined benefit liability/asset Comprising:							
Return on plan assets (excluding the amount included in the net interest cost)	900	113,057					**113,057**
Actuarial gains and losses arising on changes in demographic assumptions	103	12,716	0	0	0	0	**12,716**
Actuarial gains and losses arising on changes in financial assumptions	(3,470)	(354,588)	(664,370)	(9,350)	(57,810)	(130,310)	**(1,216,428)**
Experience gains and losses arising on the pension liabilities	86	10,727	458,910	9,920	(32,080)	94,580	**542,057**
Other actuarial gains and losses							
Net charge to Comprehensive Income and Expenditure Statement	**(3,211)**	**(267,788)**	**(369,780)**	**(5,910)**	**(98,070)**	**(202,960)**	**(944,508)**

2019-20	Local Government Pension Scheme PCC element	Local Government Pension Scheme Group	1987 Police Pension Scheme	Police Injury Awards	2006 Police Pension Scheme	2015 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net cost of services:							
Current service cost	(555)	(39,851)	(28,460)	(3,620)	(1,810)	(149,040)	**(222,781)**
Past service (cost)/ gain			(27,500)		67,640		**40,140**
Curtailments		(234)					**(234)**
Financing and Investing Income & Expenditure:							
Net Interest cost	(57)	(8,663)	(171,940)	(2,730)	(9,450)	(12,100)	**(204,883)**
Administration costs	(3)	(416)					**(416)**
Total post-employment benefits charged to the surplus or deficit on the provision of Services	**(615)**	**(49,164)**	**(227,900)**	**(6,350)**	**56,380**	**(161,140)**	**(388,174)**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	**0**
Re-measurements of the net defined benefit liability/asset Comprising:							
Return on plan assets (excluding the amount included in the net interest cost)	(319)	(42,589)					**(42,589)**
Actuarial gains and losses arising on changes in demographic assumptions	(208)	(25,937)	205,580	4,060	12,400	17,660	**213,763**
Actuarial gains and losses arising on changes in financial assumptions	1,244	140,790	202,800	2,360	20,740	23,080	**389,770**
Experience gains and losses arising on the pension liabilities	(832)	(12,310)	132,990	2,260	(4,750)	23,870	**142,060**
Other actuarial gains and losses	93	33,128					**33,128**
Net charge to Comprehensive Income and Expenditure Statement	**(637)**	**43,918**	**313,470**	**2,330**	**84,770**	**(96,530)**	**347,958**

Pension transactions within the Movement in Reserves Statement

2020-21	Local Government Pension Scheme PCC element £'000	Local Government Pension Scheme Group £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	830	49,700	164,320	6,480	8,180	167,230	**395,910**
Actual amount charged against the General Fund balance for pensions in the year:							
Employer's contributions payable to the scheme	(532)	(24,302)	0	0	0	0	**(24,302)**
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(192,840)	(3,530)	(980)	26,660	**(170,690)**

2019-20	Local Government Pension Scheme PCC element £'000	Local Government Pension Scheme Group £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	615	49,164	227,900	6,350	(56,380)	161,140	**388,174**
Actual amount charged against the General Fund balance for pensions in the year:							
Employer's contributions payable to the scheme	(242)	(18,135)	0	0	0	0	**(18,135)**
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(183,910)	(2,560)	(890)	23,180	**(164,180)**

In the above table the reversal of net charges for retirement benefits in accordance with International Accounting Standards includes the pension top up grant (£84.6m in 2020-21) payable to the Chief Constable from the Home Office. This grant is excluded in the table in note 25 which shows the adjustments within the pensions reserve affecting the overall movement in reserves.

Assets and Liabilities in relation to Post-employment benefits

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

2020-21	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(12,249)	(1,355,067)	(6,761,210)	(108,280)	(397,010)	(758,510)	**(9,380,077)**
Fair value of plan assets	6,706	803,790	0	0	0	0	**803,790**
Sub-total	**(5,543)**	**(551,277)**	**(6,761,210)**	**(108,280)**	**(397,010)**	**(758,510)**	**(8,576,287)**
Other movements in the liability	0	0	0	0	0	0	**0**
Net liability arising from the defined benefit obligation	**(5,543)**	**(551,277)**	**(6,761,210)**	**(108,280)**	**(397,010)**	**(758,510)**	**(8,576,287)**

2019-20	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(7,842)	(969,529)	(6,584,200)	(105,900)	(299,750)	(528,410)	**(8,487,789)**
Fair value of plan assets	4,978	661,738	0	0	0	0	**661,738**
Sub-total	**(2,864)**	**(307,791)**	**(6,584,200)**	**(105,900)**	**(299,750)**	**(528,410)**	**(7,826,051)**
Other movements in the liability	0	0	0	0	0	0	**0**
Net liability arising from the defined benefit obligation	**(2,864)**	**(307,791)**	**(6,584,200)**	**(105,900)**	**(299,750)**	**(528,410)**	**(7,826,051)**

west midlands police and crime commissioner

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

2020-21	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
1 April -20	**(7,842)**	**(969,529)**	**(6,584,200)**	**(105,900)**	**(299,750)**	**(528,410)**	**(8,487,789)**
Current service cost	(657)	(41,963)	(18,130)	(4,090)	(1,430)	(153,320)	(218,933)
Interest cost	(188)	(22,665)	(146,190)	(2,390)	(6,750)	(13,910)	(191,905)
Contributions by scheme participants	(159)	(8,035)	(3,980)	0	(330)	(28,320)	(40,665)
Transfers into the scheme	0	0	(70)	0	(170)	(480)	(720)
Re-measurements of the net defined benefit liability/asset	(3,281)	(331,145)	(205,460)	570	(89,890)	(35,730)	(661,655)
Benefits paid	(16)	18,581	196,820	3,530	1,310	1,660	221,901
Curtailments	(106)	(311)	0	0	0	0	(311)
Past service costs	0	0	0	0	0	0	0
Other movements in the liability	0	0	0	0	0	0	0
31 March-21	**(12,249)**	**(1,355,067)**	**(6,761,210)**	**(108,280)**	**(397,010)**	**(758,510)**	**(9,380,077)**

2019-20	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
1 April -19	**(7,072)**	**(1,020,185)**	**(7,081,300)**	**(110,790)**	**(385,060)**	**(407,850)**	**(9,005,185)**
Current service cost	(555)	(39,851)	(28,460)	(3,620)	(1,810)	(149,040)	(222,781)
Interest cost	(176)	(24,341)	(171,940)	(2,730)	(9,450)	(12,100)	(220,561)
Contributions by scheme participants	(113)	(6,934)	(5,700)	0	(390)	(24,740)	(37,764)
Transfers into the scheme	0	0	(280)	0	(350)	(850)	(1,480)
Re-measurements of the net defined benefit liability/asset	204	102,543	541,370	8,680	28,390	64,610	745,593
Benefits paid	(130)	19,473	189,610	2,560	1,280	1,560	214,483
Curtailments	0	(234)	0	0	0	0	(234)
Past service costs	0	0	(27,500)	0	67,640	0	40,140
Other movements in the liability	0	0	0	0	0	0	0
31 March-20	**(7,842)**	**(969,529)**	**(6,584,200)**	**(105,900)**	**(299,750)**	**(528,410)**	**(8,487,789)**

The total contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2022 is £26.9m. Expected contributions for the Police Pension Scheme in the year to 31 March 2022 are £79.2m.

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

	Local Government Pension Scheme PCC assets £'000		Local Government Pension Scheme Group assets £'000	
	2019-20	2020-21	2019-20	2020-21
01 April	4,603	4,978	650,341	661,738
Interest on plan assets	119	125	15,678	15,711
Return on plan assets excluding the amount included in the net interest expense	(319)	900	(42,589)	113,057
Other Actuarial gains (losses)	93	0	33,128	0
Employer contributions	242	532	18,135	24,302
Member contributions	113	159	6,934	8,035
Benefits paid	130	16	(19,473)	(18,581)
Administration expenses	(3)	(4)	(416)	(472)
31 March	**4,978**	**6,706**	**661,738**	**803,790**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme liabilities have been assessed by the Government Actuary's Department and the Police staff liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. The estimates for the West Midlands Pension Fund have been based on the last full valuation of the scheme as at 31 March 2019.

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

The principal assumptions in the calculations made are:-

	Local Government Pension Scheme		Police Pension Scheme	
	2019-20	2020-21	2019-20	2020-21
	Years	Years	Years	Years
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	21.9	21.6	21.9	22.0
Women	24.1	23.9	23.6	23.7
Longevity at 65 for future pensioners:				
Men	23.8	23.4	23.6	23.7
Women	26.0	25.8	25.2	25.3
	%	%	%	%
Rate of CPI inflation	1.85	2.80	2.00	2.40
Rate of increase in salaries	2.85	3.80	4.00	4.15
Rate of increase in pensions	1.85	2.80	2.00	2.40
Rate for discounting scheme liabilities	2.35	2.00	2.25	2.00

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

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

Local Government Pension Scheme PCC Sensitivity analysis		Impact on the defined benefit obligation in the scheme		
		£000's	**£000's**	**£000's**
Adjustment to the discount rate		**+0.1%**	**0%**	**-0.1%**
	Present value of total obligation	11,943	12,249	12,563
	Projected service cost	1,134	1,179	1,225
Adjustment to 1% p.a. long term salary increase		**+0.1%**	**0%**	**-0.1%**
	Present value of total obligation	12,293	12,249	12,205
	Projected service cost	1,180	1,179	1,178
Adjustments to pension increases and deferred valuations		**+0.1%**	**0%**	**-0.1%**
	Present value of total obligation	12,516	12,249	11,989
	Projected service cost	1,225	1,179	1,135
Adjustment to life expectancy assumptions		**+ 1 year**	**No change**	**- 1 year**
	Present value of total obligation	12,747	12,249	11,771
	Projected service cost	1,231	1,179	1,129

Local Government Pension Scheme Group Sensitivity analysis		Impact on the defined benefit obligation in the scheme		
		£000's	**£000**	**£000**
Adjustment to the discount rate		**+0.1%**	**0%**	**-0.1%**
	Present value of total obligation	1,323,075	1,355,067	1,387,866
	Projected service cost	75,442	78,283	81,220
Adjustment to 1% p.a. long term salary increase		**+0.1%**	**0%**	**-0.1%**
	Present value of total obligation	1,359,511	1,355,067	1,350,665
	Projected service cost	78,325	78,283	78,240
Adjustments to pension increases and deferred valuations		**+0.1%**	**0%**	**-0.1%**
	Present value of total obligation	1,383,131	1,355,067	1,327,692
	Projected service cost	81,192	78,283	75,468
Adjustment to life expectancy assumptions		**+ 1 year**	**No change**	**- 1 year**
	Present value of total obligation	1,416,101	1,355,067	1,296,791
	Projected service cost	81,735	78,283	74,961

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)	234,000	(234,000)
Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%)	547,000	(547,000)
Rate of increase in salaries (increase or decrease by 0.5%)	73,000	(73,000)
Rate of discounting scheme liability (increase or decrease by 0.5%)	(598,000)	598,000

The police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund covering police staff are valued at fair value, (the bid price of investments held), totalling £803.8m for the fund as a whole at 31 March 2021 (£661.7m at 31 March 2020). The Funds' assets have been split into assets relating to the PCC and those relating to the Group as a whole and these consist of the following categories by proportion of the total assets of the Fund:

		PCC Fair value of Assets Held		Group Fair value of assets held	
		31 March 2020	31 March 2021	31 March 2020	31 March 2021
Asset category	**Sub category**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Cash and cash equivalents	Cash instruments and accounts	179	328	23,749	39,299
Total Cash		**179**	**328**	**23,749**	**39,299**
Equity Instruments	Equity Instruments	2,236	3,536	297,247	423,715
	Index Futures	184	0	24,495	0
	Private	413	504	54,948	60,415
Total equity		**2,833**	**4,040**	**376,690**	**484,130**
Bonds	UK Government fixed	64	106	8,550	12,743
	UK Government indexed	317	452	42,091	54,158
	Other Bonds	406	425	53,929	50,981
Total Bonds		**787**	**983**	**104,570**	**117,882**
Property	UK and property funds	443	503	58,859	60,315
Total property		**443**	**503**	**58,859**	**60,315**
Alternatives	Infrastructure	268	300	35,648	35,918
	Absolute return	146	113	19,445	13,569
	Other fixed interest	312	439	41,481	52,677
	Futures	(24)	0	(3,241)	0
	Other long term	34	0	4,537	0
Total Alternatives		**736**	**852**	**97,870**	**102,164**
Total Assets held		**4,978**	**6,706**	**661,738**	**803,790**

The Chief Constable, along with other Chief Constables and the Home Office currently has 739 claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in Oct 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April to be eligible for remedy.
On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

Impact on pension liability
Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries originally estimated the increase in scheme liabilities for the West Midlands Police to be 4.4% or £337m of pension scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-19 accounts. In 2019-20, scheme actuaries reviewed these assumptions at a force level and estimated a decrease in scheme liabilities. In 2020-21, the impact of the McCloud judgment is included within the current service cost.

The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023-24, although this timetable is subject to change.

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 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 sufficient 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.

20. DISCRETIONARY PENSION PAYMENTS

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

	2019-20 Capitalised Value £'000	2020-21 Actual Payments £'000	2020-21 Capitalised Value £'000
Payments made in respect of decisions made in the year	0	0	0
Payments made in respect of decisions made in previous years	1,758	103	1,850
	1,758	**103**	**1,850**

21. PROVISIONS

A provision was made at the end of 2018-19 for prospective damages and legal costs in association with ongoing claims. At the balance sheet date only one claim has been settled from the original provision with the others under active legal discussion.

22. CONTINGENT LIABILITIES AND ASSETS

McCloud/Sargeant Compensation Claims
Claimants have lodged claims for compensation. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

The Chief Constable of West Midlands Police along with other Chief Constables had claims lodged against them in the County Courts. These claims are in respect 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. Provision has been made for known claims, however further claims may be received from officers, including those in undercover roles. 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 number of Claimants is not yet fully realised and 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.

23. POLICE PROPERTY ACT FUND

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

	31 March 20 £'000	31 March 21 £'000
Balance as at 1 April	**619**	**561**
Income from confiscations and property auctions	117	537
Payments to charitable causes	(175)	(175)
Balance as at 31 March	**561**	**923**

Notes 24 and 25 contain details of accounts held by the Police and Crime Commissioner for the West Midlands which do not form part of the primary statements shown on pages 33 to 38.

24. TRUST FUNDS

The High Sheriff's Police Trust Fund for the West Midlands (Building Blocks)
Supported by the PCC, the Charity supports a number of police service related initiatives within the West Midlands. The balance on the funds accounts at 31 March 2021 was £90,178 (£90,942 at 31 March 2020).

The Alderman Guy Fund
Supported by the Police Force this small charity makes awards to selected officers whose performance it recognises as being of particular merit.
The balance on the funds accounts at 31 March 2021 was £1,737 (£1,735 at 31 March 2020).

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

25. PROCEEDS OF CRIME ACT 2002 ACCOUNT

In addition, there are three bank accounts for the holding of 3rd party funds seized as suspected proceeds of crime in accordance with the Act. At 31 March 2021 the balance on these accounts was £10,873,529, $7,968 and €25,163. At 31 March 2020 the balance on these accounts was £5,454,138, $16,963 and €39,418.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

26. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2020-21 Group	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(14,237)			(14,237)	14,237
Revaluation losses on Property, Plant and Equipment	(25,534)			(25,534)	25,534
Amortisation of intangible assets	(2,949)			(2,949)	2,949
Revenue expenditure funded from Capital under Statute	0			0	0
Capital grants and contributions applied	6,560			6,560	(6,560)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(1,608)			(1,608)	1,608
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment (MRP)	2,026			2,026	(2,026)
Capital expenditure charged against the general fund balance	15,688			15,688	(15,688)
Voluntary provision above MRP	809			809	(809)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	6,230			6,230	(6,230)
Application of grants to capital financing transferred to the Capital Adjustment Account	(6,560)		6,560	0	0
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,873	(1,873)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		2,284		2,284	(2,284)
ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(198)		(198)	198
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(311,274)			(311,274)	311,274
Employers pensions contributions and direct payments to pensioners payable in the year	108,769			108,769	(108,769)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(3,358)			(3,358)	3,358
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT					
Amount by which officers remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(7,558)			(7,558)	7,558
TOTAL ADJUSTMENTS	(231,123)	213	330	(230,580)	230,580

2019-20 Group	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(12,507)			(12,507)	12,507
Revaluation losses on Property, Plant and Equipment					
Amortisation of intangible assets	(2,896)			(2,896)	2,896
Revenue expenditure funded from Capital under Statute	(26)			(26)	26
Capital grants and contributions applied	11,196			11,196	(11,196)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,284)			(2,284)	2,284
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment (MRP)	1,509			1,509	(1,509)
Capital expenditure charged against the general fund balance	8,509			8,509	(8,509)
Voluntary provision above MRP	736			736	(736)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	8,635		(8,635)		
Application of grants to capital financing transferred to the Capital Adjustment Account	(11,196)		11,196		
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,933	(2,933)			
Use of the Capital Receipts Reserve to finance new capital expenditure		34		34	(34)
ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(198)		(198)	198
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(298,827)			(298,827)	298,827
Employers pensions contributions and direct payments to pensioners payable in the year	94,450			94,450	(94,450)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1,279)			(1,279)	1,279
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT					
Amount by which officers remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(462)			(462)	462
TOTAL ADJUSTMENTS	(201,510)	(3,097)	2,561	(202,046)	202,046

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2020-21 PCC	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(14,237)			(14,237)	14,237
Revaluation losses on Property, Plant and Equipment	(25,534)			(25,534)	25,534
Amortisation of intangible assets	(2,949)			(2,949)	2,949
Revenue expenditure funded from Capital under Statute	0			0	0
Capital grants and contributions applied	6,560			6,560	(6,560)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(1,608)			(1,608)	1,608
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment (MRP)	2,026			2,026	(2,026)
Capital expenditure charged against the general fund balance	15,688			15,688	(15,688)
Voluntary provision above MRP	809			809	(809)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	6,230			6,230	(6,230)
Application of grants to capital financing transferred to the Capital Adjustment Account	(6,560)		6,560	0	0
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,873	(1,873)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		2,284		2,284	(2,284)
ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(198)		(198)	198
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(830)			(830)	830
Employers pensions contributions and direct payments to pensioners payable in the year	481			481	(481)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,358)			(3,358)	3,358
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements					
TOTAL ADJUSTMENTS	(21,409)	213	330	(20,866)	20,866

2019-20 PCC	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(12,507)			(12,507)	12,507
Revaluation losses on Property, Plant and Equipment					
Amortisation of intangible assets	(2,896)			(2,896)	2,896
Revenue expenditure funded from Capital under Statute	(26)			(26)	26
Capital grants and contributions applied	11,196			11,196	(11,196)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,284)			(2,284)	2,284
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment (MRP)	1,509			1,509	(1,509)
Capital expenditure charged against the general fund balance	8,509			8,509	(8,509)
Voluntary provision above MRP	736			736	(736)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	8,635		(8,635)		
Application of grants to capital financing transferred to the Capital Adjustment Account	(11,196)		11,196		
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,933	(2,933)			
Use of the Capital Receipts Reserve to finance new capital expenditure		34		34	(34)
ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(198)		(198)	198
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(615)			(615)	615
Employers pensions contributions and direct payments to pensioners payable in the year	242			242	(242)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,279)			(1,279)	1,279
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements					
TOTAL ADJUSTMENTS	2,957	(3,097)	2,561	2,421	(2,421)

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27. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amount set aside from the General Fund in the PCC's Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2020-21.

	Balance at 31 March 2019 £'000	Trf to reserves in 2019-20 £'000	Trf from reserves in 2019-20 £'000	Trf between reserves in 2019-20 £'000	Balance at 31 March 2020 £'000	Trf to reserves in 2020-21 £'000	Trf from reserves in 2020-21 £'000	Trf between reserves in 2020-21 £'000	Balance at 31 March 2021 £'000
Budget reserve	(5,220)	(3,760)	0	(153)	(9,133)		7,850		(1,283)
Self-funded insurance reserve	(8,829)	(2,995)	3,036	0	(8,788)	(95)			(8,883)
Devolved Budget reserve	(3,637)	(2,376)	1,734	0	(4,278)	(4,982)	2,039		(7,221)
Uniform and protective equipment reserve	(4,777)	0	0	0	(4,777)	(1,072)		(781)	(6,629)
Major incidents	(2,153)	0	0	153	(2,000)				(2,000)
PoCA income reserve	(582)	0	250	0	(332)		250		(82)
Change Programme (inc Risk) reserve	0	(12,359)	0	0	(12,359)	(14,046)	10,097	781	(15,527)
Carry Forward Reserve	(19,074)	(4,528)	19,074	0	(4,528)	(12,286)	4,264		(12,550)
Police Property and Misuse of Drugs Act reserve	(857)	(126)	175	0	(808)	(589)	175		(1,222)
National Contingency reserve	(1,090)	0	0	0	(1,090)				(1,090)
Council Tax Funding Reserve	0	0	0	0	0	(1,164)			(1,164)
Earmarked Reserves	**(46,219)**	**(26,144)**	**24,270**	**0**	**(48,092)**	**(34,233)**	**24,675**	**0**	**(57,650)**
General Fund Reserves	**(12,042)**	**0**	**0**	**0**	**(12,042)**	**0**	**0**	**0**	**(12,042)**

NOTES TO THE BALANCE SHEET

28. PROPERTY, PLANT AND EQUIPMENT – MOVEMENT ON BALANCES

Movements in 2020-21

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or valuation at 31 March 2020	**158,541**	**76,528**	**38,660**	**273,729**
Additions in Year	482	13,927	26,230	40,639
Transfer between Categories	14,743		(15,013)	(270)
Disposals in Year	(756)	(15,671)		(16,427)
Revaluation Gains and losses in Year	(27,015)	(57)		(27,072)
Impairments in Year				
Cost or valuation at 31 March 2021	**145,995**	**74,727**	**49,877**	**270,599**
Accumulated Depreciation at 31 March 2020	**6,913**	**51,059**	**0**	**57,972**
Depreciation Charge in Year	4,081	10,156		14,237
Transfer between Categories				
Depreciation written out on Revaluation	(2,921)	(88)		(3,009)
Depreciation written out on Impairment				
Disposals in Year	(289)	(15,239)		(15,528)
Accumulated Depreciation at 31 March 2021	**7,784**	**45,888**	**0**	**53,672**
Net Book Value at 31 March 2021	**138,211**	**28,839**	**49,877**	**216,927**
Net Book Value at 31 March 2020	**151,628**	**25,469**	**38,660**	**215,757**

A Full revaluation of the Property Portfolio was carried out in 2018-19 with an effective date of 31 December 2018. These assets were valued at Current Value based on Existing Use Value or Depreciated Replacement Cost for specialised buildings. There was not a material movement at the balance sheet date since the previous valuation.

The impact of COVID-19 has affected market valuations for areas including the real estate market. The extent of that impact at the Balance Sheet date was not fully realised. The valuers employed by the PCC have reported under material valuation uncertainty regulations.

Revaluation Gains and Losses are comprised of a change in Asset value combined with a write out of previously charged depreciation. Revaluation losses include revaluation gains which reverse losses charged to the CIES in prior years.

Comparative Movements in 2019-20

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or valuation at 31 March 2019	**161,916**	**71,388**	**12,672**	**245,976**
Additions in Year		13,030	28,816	41,846
Transfer between Categories	(3,215)		(2,828)	(6,043)
Disposals in Year	(160)	(7,890)		(8,050)
Revaluation Gains and losses in Year				
Impairments in Year				
Cost or valuation at 31 March 2020	**158,541**	**76,528**	**38,660**	**273,729**
Accumulated Depreciation at 31 March 2019	**2,910**	**50,273**	**0**	**53,183**
Depreciation Charge in Year	4,087	8,420		12,507
Transfer between Categories				
Depreciation written out on Revaluation	(78)			(78)
Depreciation written out on Impairment				
Disposals in Year	(6)	(7,634)		(7,640)
Accumulated Depreciation at 31 March 2020	**6,913**	**51,059**	**0**	**57,972**
Net Book Value at 31 March 2020	**151,628**	**25,469**	**38,660**	**215,757**
Net Book Value at 31 March 2019	**159,006**	**21,115**	**12,672**	**192,793**

Valuations

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Total £000
Carried at Historical Cost	1,491	74,658	76,149
Valued at current value as at:			
31 March 2021	29,975	34	30,009
31 March 2019	0	30	30
31 December 2018	114,129	0	114,129
31 March 2018	0	0	0
1 April 2017	0	5	5
1 April 2016	0	0	0
1 April 2015	0	0	0
1 April 2014	400	0	400
Total cost or valuation	145,995	74,727	220,722

29. HERITAGE ASSETS

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

The West Midlands Police Museum at Sparkhill and Coventry Police Station and Steelhouse Lane Lock Up contains collections of whistles, medals, photographs, uniform and police vehicles depicting the history of the Police Force in the Birmingham and West Midlands area over more than 100 years. The collection of artefacts held is valued at £156k which is an insurance valuation.

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

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

30. FUTURE CAPITAL COMMITMENTS

A second phase of new construction at Park Lane has been ongoing through the year and there was £2.1m outstanding on the construction contract at 31 March 2021.

31. STATEMENT OF PHYSICAL ASSETS

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

	31 March 20	31 March 21
Operational Police Stations	10	10
Beat Offices	52	50
Police Administrative Buildings	2	2
Police Houses	8	4
Standalone Radio Aerials	2	2
Training Centres	4	4
Other Property	39	37

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

Other minor assets include equipment and vehicles, although these are too numerous to list individually. In future years the numbers of such assets will diminish greatly, as present policy is to classify the majority of such items as revenue rather than capital when their purchase cost is less than £10,000.

32. INTANGIBLE ASSETS

The PCCWM accounts for its software as intangible assets, where the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The useful lives assigned to major software suites used by the Group are 3 years. Intangible software assets developed internally in conjunction with our Business Partner are expected to have an operational life of 10 years.

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

	2019-20			2020-21		
	Internally generated assets £'000	Other assets £'000	Total £'000	Internally generated assets £'000	Other assets £'000	Total £'000
Balance at start of year						
Gross carrying amounts	3,942	19,475	23,417	3,942	21,875	25,817
Accumulated amortisation	(433)	(11,638)	(12,071)	(701)	(13,572)	(14,273)
Net carrying amount at start of year	**3,509**	**7,837**	**11,347**	**3,241**	**8,304**	**11,544**
Additions						
Internal Development	0	0	0	0	0	0
Purchases	0	266	266	0	1,061	1,061
Net Disposals in the year	0	0	0	0	0	0
Amortisation for the period	(268)	(2,627)	(2,896)	(268)	(2,681)	(2,949)
Transfer between categories	0	2,828	2,828	0	0	0
Net carrying amount at the end of the year	3,241	8,304	11,544	2,972	6,684	9,657
Comprising:						
Gross carrying amounts	3,942	21,875	25,817	3,942	15,587	19,799
Accumulated amortisation	(701)	(13,572)	(14,273)	(970)	(9,173)	(10,143)
	3,241	**8,304**	**11,544**	**2,972**	**6,684**	**9,657**

33. FINANCIAL INSTRUMENTS

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

	Long Term at 31 March 2020 £'000	Long Term at 31 March 2021 £'000	Current at 31 March 2020 £'000	Current at 31 March 2021 £'000
Financial Liabilities at amortised cost	99,223	98,333	4,332	1,569
Total Borrowings	99,223	98,333	4,332	1,569
Financial Assets held at Amortised cost	5,003	10,125	75,598	68,892*
Financial assets held at fair value through profit and loss	4,576	4,481	0	0
Total Investments	9,579	14,606	75,598	68,892

*This figure includes £42.8m representing investments with a maturity of less than 1 month. These are classified as cash equivalents.

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Additional Financial Instruments held at amortised cost include:

	31 March 20 £'000	31 March 21 £'000
Short Term Debtors	37,203	46,565
Long Term Debtors	753	554
Short Term Creditors	(29,636)	(29,949)
Cash	(111)	(897)
Total	**8,209**	**16,273**

These financial instruments relate to the proportion of debtor, creditor and cash balances which fit the definition of financial instruments according to the CIPFA code of practice on local authority accounting. Examples are debtors and creditors which principally arise from contracts. The complete long and short term debtor and creditor balances are disclosed in notes 36, 39 and 42 respectively.

Financial liabilities and financial assets (Investments) are carried in the Balance Sheet for the group mainly at amortised cost, with two investments being held at fair value through profit and loss. One of these is an investment in a Pooled fund and is subject to a statutory override directing the movement in fair value through other comprehensive income and expenditure into an adjustment account. The fair values calculated for financial assets and liabilities are as follows:

	Carrying amount 2020 £'000	Fair value 2020 £'000	Carrying amount 2021 £'000	Fair value 2021 £'000
Financial Liabilities				
Borrowings				
Financial Liabilities (PWLB Loans)	97,310	109,330	94,466	115,970
Financial Liabilities (WMCC debt)	6,245	6,944	5,436	6,071
Creditors				
Other financial liabilities	29,747	29,747	30,846	30,846
Financial Assets				
Investments				
Long Term investments	9,579	9,651	14,606	15,304
Short term Investments	75,598	75,598	68,892	68,985
Debtors				
Other receivables	37,956	37,956	47,119	47,119

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

Recurring fair value measurement using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial Liabilities				
Borrowings:				
Financial Liabilities (PWLB)		94,466		94,466
Financial Liabilities (WMCC debt)		5,436		5,436
Total		**99,902**		**99,902**

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

Financial Assets	Financial Liabilities
Valuation of fixed term investments is made against comparable investments with the same or a similar lender for the remaining period of the deposit.	PWLB loans are shown here at fair value based on PWLB new loan certainty rates
For loans receivable, prevailing benchmark rates have been used to provide fair value	Non-PWLB loans would use PWLB rates as a proxy for the calculation of fair value
	Discount rates used in NPV calculations were obtained from the market on 31 March 2021

34. LONG TERM BORROWING

Transactions undertaken during the year were as shown below:

	31 March 20 £'000	31 March 21 £'000
Opening Balance	87,863	99,223
External Loans Raised in Year	15,000	0
Loans Repaid or transferred to Short Term in Year	(3,640)	(890)
Closing Balance	**99,223**	**98,333**

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

	31 March 20 £'000	31 March 21 £'000
Public Works Loan Board	93,787	93,787
W.M.C.C. Debt	5,436	4,546
Total	**99,223**	**98,333**

The fair value of the Public Works Loan Board loans is £116m which compares the terms of these loans with the new borrowing rates available from the PWLB. It should be noted that the PCC has the ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates, and these are used in this calculation. The measure of the fair value as a result of its PWLB commitments for fixed rate loans can also be calculated using PWLB redemption rates. If a fair value is calculated on the basis of premature repayment rates, the carrying amount of £94m would be valued at £146m.
The fair value of West Midlands County Council debt has been calculated as £6.1m as at 31 March 2021.
The difference in valuation between what is shown in the above table and the fair value of the debt reflects transaction costs and purchasing loans other than at par. The fair value is the amount that the loan could be traded for in an arms-length transaction; it is generally higher than amortised cost as transaction costs are not included in fair value.

The sources of short term borrowing are shown below:

	31 March 20 £'000	31 March 21 £'000
PWLB accrued interest	3,523	679
W.M.C.C principal repayment	809	890
	4,332	**1,569**

These borrowings are repayable as follows:

	31 March 20 £'000	31 March 21 £'000
Maturity within 5 years	14,464	14,115
Maturity within 6 to 10 years	3,304	0
Maturity within 11 to 15 years	0	0
Maturity in 15 or more years	85,787	85,787
Total	**103,555**	**99,902**

35. LONG AND SHORT TERM INVESTMENTS

The PCCWM invests its surplus cash balances in order to generate income by earning interest. The balance sheet shows these investments as summarised below:

	31 March 20 £'000	31 March 21 £'000
Short Term Investments at amortised cost	75,598*	68,892*
Long Term Investments at amortised cost	5,003	10,125
Long Term Investments at Fair Value	4,576	4,481
Total	**85,176**	**83,498**

*Included with this figure is the amount of £42.8m (£29.3m in 2019-20) representing investments with a maturity of less than 1 month. These investments are classified as cash equivalents. (See note 40).
The fair value of these investments has been calculated as £84.3m as at 31 March 2021 (£85.2m at 31 March 2020); the fair value is the amount that the investments could be traded for in an arms-length transaction. Interest earned on investments has been credited to the Comprehensive Income and Expenditure Statement.

36. LONG TERM DEBTORS

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

	31 March 20 £'000	31 March 21 £'000
NPAS	752	554
Total	**752**	**554**

37. MANAGEMENT OF RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The PCCWM is exposed to several risks arising from the use of financial instruments which are assessed using IFRS 9:

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

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

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

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

Foreign Exchange risk – the potential that financial loss might arise as a result of changes in exchange rates because the PCC had foreign exchange exposure by using financial instruments denominated in a currency other than sterling. The PCCWM does not currently have any foreign investments.

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

Credit Risk

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

The PCC's policy for 2020-21 was to not lend more than £60m to an individual counterparty with a high credit rating. Individual limits for value and duration are applied to each approved counterparty based on their overall credit rating.

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

There are no current indications that any losses will arise from non-performance by the PCC's current approved counterparties.

Liquidity Risk

As the PCCWM has ready access to borrowings from the Public Works Loans Board there is no significant risk that there will be an inability to raise finance to meet commitments under financial instruments. Instead the risk is that the PCC will be required to take up borrowing at a time of unfavourable interest rates (see market risk). The maturity analysis of financial liabilities is shown in note 34.

Refinancing and Maturity Risk

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

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual 31 March 2020	Actual 31 March 2021
	%	%	£'000	£'000
Under 12 months	25	0	4,332	0
12 months and within 24 months	25	0	890	3,800
24 months and within 5 years	50	0	9,242	4,200
5 years and within 10 years	75	0	3,304	0
10 years and above	100	25	85,787	85,787
Total			**103,555**	**93,787**

Market Risk

Interest Rate Risk

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

Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
Investments at fixed rates – the fair value of the assets will fall.

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

Price Risk

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

Foreign Currency Risk

As at the 31 March 2021 the PCCWM has no financial assets denominated in foreign currencies. Income received will be banked immediately and converted using the exchange rate at the time of banking. The PCC has no other exposure to loss arising from movements in exchange rates.

38. INVENTORIES

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

	Vehicle parts and fuel		Uniforms and Protective Equipment		Total	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01 April	213	226	377	272	590	498
Purchases/Donations	315	1,540	0	3,998	315	5,538
Recognised as an expense in year	(302)	(1,489)	(105)	(3,757)	(407)	(5,246)
Balance as at 31 March	**226**	**277**	**272**	**513**	**498**	**790**

39. SHORT TERM DEBTORS

	31 March 2020 £'000	31 March 2021 £'000
Central Government Bodies	50,217	39,330
Other Local Authorities and PCCs	6,266	8,337
NHS Bodies	0	10
Public Corporations and Trading Funds	6	6
Other entities and individuals	8,413	11,168
Total	**64,902**	**59,438**

These debtors are net of the impairment allowance for doubtful debts provided by the regional Local Authorities for the Collection Fund (£12.5m for 2020-21, £8.94m for 2019-20). A proportion of short term debtors are recognised as financial instruments. These have been disclosed in note 33.

Non-contractual debtors past due but not impaired

	Collection Fund 31 March 2020 £'000	Collection Fund 31 March 2021 £'000
Less than one year	4,540	6,003
One to two years	2,151	2,909
Two to six years	4,342	3,530
Over six years	1,460	369
Total	**12,493**	**12,811**

40. CASH AND CASH EQUIVALENTS

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

	31 March 2020 £'000	31 March 2021 £'000
Cash held by the PCCWM	337	337
Bank Current Accounts	(448)	(1,234)
Short term deposits with financial institutions	29,326	42,808
Total	**29,214**	**41,911**

The short term deposits held with financial institutions recognised as cash equivalents have less than 1 month to maturity. A proportion of cash and bank balances are disclosed as financial instruments. These are disclosed in note 33.

41. ASSETS HELD FOR SALE

	Non-Current	
	2019-20 £'000	2020-21 £'000
Balance outstanding at start of year	1,530	2,870
Assets newly qualified as held for sale:		
Property, plant and equipment	3,215	270
Revaluation losses	0	0
Revaluation gains	0	0
Assets declassified as held for sale:		
Property, plant and equipment	0	0
Assets sold	(1,875)	(710)
Total	**2,870**	**2,430**

42. SHORT TERM CREDITORS

	31 March 2020 £'000	31 March 2021 £'000
Central Government Bodies	13,381	13,752
Other Local Authorities and PCCs	3,523	6,359
NHS Bodies	197	89
Public Corporations and Trading Funds	0	0
Other entities and individuals	31,275	33,452
Total	**48,376**	**53,652**

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

43. USABLE RESERVES

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

44. UNUSABLE RESERVES

	31 March 2020 £'000	31 March 2021 £'000
Revaluation Reserve	(30,354)	(29,754)
Capital Adjustment Account	(130,235)	(115,345)
Pensions Reserve	7,826,051	8,577,154
Deferred Capital Receipts reserve	(752)	(554)
Collection Fund Adjustment Account	(555)	2,804
Pooled Investment Funds Adjustment Account	520	552
Accumulated Absences Account	3,717	11,275
Total	**7,668,393**	**8,446,131**

Revaluation Reserve

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

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

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

	2019-20 £'000	2020-21 £'000
Balance at 1 April	**(32,643)**	**(30,354)**
Upward revaluation of assets	(78)	(2,256)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	0	785
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(78)	(1,471)
Difference between fair value depreciation and historical cost depreciation	1,325	1,255
Accumulated gains on assets sold or scrapped	1,343	816
Amount written off to the Capital Adjustment Account	2,668	2,071
Balance as at 31 March	**(30,354)**	**(29,754)**

Capital Adjustment Account

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

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

Note 26 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2019-20 £'000	2020-21 £'000
Balance at 1 April	**(123,296)**	**(130,235)**
Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	11,182	12,982
Revaluation losses on Property, Plant and Equipment	0	25,534
Amortisation of intangible assets	2,896	2,949
Revenue Expenditure funded from Capital under Statute	26	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	941	792
	15,045	42,257
Adjusting amounts written out	0	0
Net written out amount of the cost of non-current assets consumed in the year	15,045	42,257
Capital financing applied in year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(34)	(2,284)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(8,268)	(6,238)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,928)	(322)
Statutory provision for the financing of capital investment charged against the General Fund balance	(1,509)	(2,026)
Voluntary Provision for the repayment of debt	(736)	(809)
Capital expenditure charged against the General Fund balance	(8,509)	(15,688)
Balance as at 31 March	**(130,235)**	**(115,345)**

Pensions Reserve

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

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

	31 March 2020 £'000	31 March 2021 £'000
Balance at 1 April	**8,357,796**	**7,826,051**
Re-measurements of the net defined benefit liability or asset	(736,122)	548,598
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	298,827	311,274
Employers' pensions contributions and direct payments to pensioners payable in the year	(94,450)	(108,769)
Balance as at 31 March	**7,826,051**	**8,577,154**

Collection Fund Adjustment Account

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

	31 March 2020 £'000	31 March 2021 £'000
Balance at 1 April	**(1,833)**	**(555)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,279	3,358
Balance at 31 March	**(555)**	**2,804**

Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account recognises fair value gains and losses on Pooled Investment Funds held by the PCC which would otherwise be charged to a revenue account. The regulation mitigating the impact of these fair value movements ceases on 31 March 2023.

	31 March 2020 £'000	31 March 2021 £'000
Balance at 1 April	**354**	**520**
Amount by which fair value of investment has moved in year.	166	32
Balance at 31 March	**520**	**552**

Accumulating Compensated Absences Adjustment Account

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

	2019-20 £'000	2020-21 £'000
Balance at 1 April	**3,255**	**3,717**
Settlement or cancellation of accrual made at the end of the previous year	0	0
Amounts accrued at the end of the current year	3,255	3,717
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	462	7,558
Balance at 31 March	**3,717**	**11,275**

NOTES TO THE CASH FLOW STATEMENT

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

	Year ended 31 March 20 £'000	Year ended 31 March 21 £'000
Decrease/ (Increase) in cash	(22,183)	(12,696)
Cash outflow from increase in liquid resources	31,225	15,160
Financing	11,361	(890)
Change in net debt resulting from cashflows	**20,403**	**1,574**
Net Debt as at 1 April 2020	6,244	(14,159)
Net Debt as at 31 March 2021	(14,159)	(15,733)

46. MOVEMENT IN CASH AND CASH EQUIVALENTS

	Balance at 31 March 20 £'000	Movement in the Year £'000	Balance at 31 March 21 £'000
Cash held by the PCC	337	0	337
Bank Current Accounts	(448)	(786)	(1,234)
Short term deposits with financial institutions	29,326	13,482	42,808
	29,215	**12,696**	**41,911**

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

JOINT OPERATIONS

47. CENTRAL MOTORWAY POLICE GROUP

The PCCWM is engaged in a joint operation with his opposite 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 2020-21 are as follows:

2019-20 £'000		2020-21 £'000
	Funding provided to the pooled budget	
(4,428)	Contribution from West Midlands Police	(4,775)
(2,201)	Contribution from Staffordshire Police	(2,304)
(6,629)	**Total funding provided to the pooled Budget**	**(7,079)**
	Expenditure met from the pooled budget	
6,070	Pay and allowances	6,492
401	Transport costs	408
158	Supplies and Services	179
6,629	**Total expenditure**	**7,079**
	Income received to the Pooled budget	
0	Miscellaneous Income	0
0	External funding	0
0	**Total income received**	**0**
6,629	**Total Net Expenditure**	**7,079**
0	Net surplus/(deficit) arising during the year	0
0	West Midlands Police share of 70% of the net surplus/(deficit) arising during the year	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 2020-21 the final contribution paid by the PCCWM was £4.95m.

48. WEST MIDLANDS REGIONAL ORGANISED CRIME UNIT

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

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

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

2019-20 £'000		2020-21 £000
	Funding provided to WMROCU	
(14,026)	Contribution from West Midlands Police	(14,721)
(3,783)	Contribution from West Mercia Police**	(4,002)
(3,675)	Contribution from Staffordshire Police**	(3,887)
(1,837)	Contribution from Warwickshire Police**	(1,944)
(2,399)	WMROCU Grant	(2,399)
(270)	National Cyber Security Programme funding	(140)
(166)	Regional Asset Recovery Team grant	(178)
(693)	ROCU Reserves	(482)
(1,134)	Police Transformation Fund grants	0
0	UCOL Funding	(1,096)
0	ROCTA Funding	(112)
0	Disruption Team Funding	(256)
0	Dark Web Funding	(250)
0	OSPY Income	(34)
(27,983)	**Total funding**	**(29,500)**
	WMROCU expenditure	
995	Regional Asset Recovery Team (RART)	1,066
196	RART – ACE team	187
637	Regional Cyber Crime Unit	739
288	Regional Fraud Team	320
922	Regional Prisons Intelligence Unit	952
8	UKPPS (protected Persons)	0
61	Operational Security (OPSY)	63
50	Regional Government Agency Intelligence Network (GAIN)	61
1,533	Command Team	1,440
5,527	Regional Confidential Unit	5,679
624	TIDU – Technical Intelligence	765
305	Enabling Services	251
4,628	SOCU	5,197
8,266	Regional Surveillance Unit (FSU)	7,531
122	Threat Assessment Team (ROCTA)	112
266	Disruption Team	385
	Dark Web	249
3,555	Other Regional Operations	3,649
0	Additional Contribution to Reserves	853
27,983	**Total expenditure*** **	**29,500**
0	**Total Net Expenditure**	**0**

** Not included in PCCWM Accounts
*** Expenditure is incurred proportionally by all parties within the collaboration in line with the funding transferred to WMROCU

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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.

2019-20 £'000	Police Pension Fund Account	2020-21 £'000	£'000
	Fund Account		
	Contributions receivable:		
	From employer:		
(70,648)	Normal	(76,157)	
(1,370)	Early retirements	(2,222)	
(7)	AV contributions	(20)	
(72,025)		(78,399)	
(30,833)	From members	(32,724)	
(30,833)		(32,724)	
(1,477)	Transfers in	(1,160)	
(1,477)		(1,160)	
(104,335)	**Total income into the Pension Fund**		**(112,283)**
	Benefits payable:		
160,398	Pensions	165,278	
32,238	Lump sums	30,873	
309	Lump sum death benefits	154	
88	Benefits payable to other regional forces re earlier reorganisations	79	
193,033		196,384	
	Payments to and on account of leavers:		
488	Refunds of contributions	450	
161	Individual transfers out to other schemes	86	
0	Other	0	
649		536	
193,682	**Total payments from the pension fund**		**196,919**
89,347	**Net amount payable for the year**		**84,636**
(89,347)	Additional contribution received from the Home Office		(84,636)
0			**0**

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Net Assets Statement

Net current assets and liabilities	2019-20	2020-21
	£'000	£'000
Current assets	0	0
Current liabilities	0	0
Total	**0**	**0**

Notes to the Police Pension Fund Account

1. The police pension fund account has been prepared in accordance with the Police Pension Regulations 2007 and the accounting polices detailed on page 41 of this Statement of Accounts.

2. The police pension fund is administered by the Chief Constable.

3. All benefits payable during 2020-21 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2021 are not included. These liabilities are recognised within the Comprehensive Income and Expenditure Statement and Note 26 of the Statement of Accounts demonstrates how this is done.

4. The police pension fund scheme is an unfunded defined benefit scheme. This means that there are no assets to the scheme and that all benefits payable are funded by contributions from employers and employees. Any difference that arises in the year between the benefits payable and the contributions received is met by a top up grant received from the Home Office.

5. Employee and employer contributions into the scheme are based on percentages of pensionable pay set nationally by the Home Office and subject to a triennial revaluation by the Government Actuaries Department. During 2020-21 the contribution rates were as follows :-

Employers Contribution – 31.0% for the 1987, 2006 and 2015 Police pension schemes

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

Employee Contribution – 14.25% for 1987 police pension scheme
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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCE AND OPERATING LEASE – A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the revenue account.

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

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

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

IAS 19 RETIREMENT BENEFITS – An accounting standard that requires the recognition of long term commitments made to employees in respect of retirement benefits in the year in which they are earned

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

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

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

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

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

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

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

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

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

OUTTURN – The actual amount spent in the financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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