

The draft 2022-23 Statement of Accounts is unaudited and as published may be subject to change

Police and Crime Commissioner for the West Midlands: Consolidated Statement of Accounts 2022-23

STATEMENT OF ACCOUNTS 2022-23

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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, Utilita Arena Birmingham, 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 5.4%, Indian at 4.6% and Caribbean at 1.5%. It also had a lower than average White ethnic group at 77% and White British at 71.8%. Approximately 15% of the region's population were born outside the UK. Average earnings and the employment rate for the region are lower than the national average (as per the 2021 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.

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

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

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

Role of Police and Crime Commissioner

There are 39 police and crime commissioners in England and Wales. 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 Partnership, a Media and Communications team and a Business Services team.

The Police and Crime Plan covering the period 2021 to 2025 was approved in November 2021. The plan includes the following priorities and ambitions over the medium term: -

- Rebuilding community policing
- Preventing and reducing crime
- Increased confidence in West Midlands Police
- Supporting the workforce, organisational change and new technology
- Combatting violence against women and girls and domestic abuse
- Prioritising the rights of victims
- An efficient and effective criminal justice system
- Improving community safety
- Reducing Violence
- Working together for children and young people
- Supporting a friendly, safe Commonwealth Games
- Safer Travel

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 <https://www.westmidlandspcp.org.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, five 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 2022-23 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 any exceptions noted during their work 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 show 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 2022-23

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

<i>Actual</i> 2021-22 £m	<i>Revenue Expenditure</i>	<i>Budget</i> 2022-23 £m	<i>Actual</i> 2022-23 £m	<i>Variation</i> + (-) £m
588.0	Employee costs	586.0	576.0	(10.0)
20.8	Premises costs	21.5	23.7	2.2
10.8	Transport costs	9.6	9.5	(0.1)
51.3	Supplies and Services	54.5	54.6	0.1
22.4	Collaborative working costs	16.0	17.4	1.4
17.5	Capital Financing	12.4	9.7	(2.7)
(85.4)	Income	(59.1)	(62.8)	(3.7)
625.4	Police Force (Excl. Change Programme & COVID 19)	640.9	628.1	(12.8)
11.8	Change Programme	8.0	9.7	1.7
(1.1)	COVID-19	0	0	0
636.2	Police Force (Incl. Change Programme & COVID 19)	648.9	637.8	(11.1)
	Police and Crime Commissioner			
2.5	Office for Police and Crime Commissioner	3.2	2.8	(0.4)
6.6	Commissioned Services	5.3	5.7	0.4
9.1	Police and Crime Commissioner	8.5	8.5	0
0	Regional and National Services	22.1	22.1	0
645.3	Net Cost Police Services	679.5	668.4	(11.1)
(4.2)	Other Contributions to (from) Reserve	2.8	2.3	(0.5)
0	Net Contribution to (from) Budget Reserves	0.7	12.3	11.6
641.1	Net Budget Requirement	683.0	683.0	0
	Statutory Accounting Adjustments:			
342.7	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance		345.5	
983.8	Net Operating Expenditure (CIES)		1,028.5	

The financial position of the Group was closely managed and reported throughout the year which resulted in a total revenue underspend of £11.1m (2% of the total budget of £679.5m).

The following were the most significant contributors to the overall position:

Premises: Premises costs were overspent by £2.2m This was in two key areas. The first was spend on utilities as a result of significant increases in wholesale energy prices being passed on through higher unit costs. Finance worked in collaboration with colleagues in Corporate Asset Management to minimise the impact of higher bills by reducing our use of energy in our police buildings. The second factor was an increase in expenditure on reactive maintenance. This is partly demand related due to the age of some force buildings but also driven by higher material and labour costs.

Overtime: Within an overall underspend on employee related expenditure the force did experience pressures on police and police staff overtime totalling £2.4m. Police officer overtime was overspent by £1.8m (9% of budget) and was driven in part by high demand for service across policing that was most acute in Force CID and Force Contact (call handling) where we invested to improve our service for callers to our emergency and non-emergency numbers. Overtime was also driven by our support for regional and national events such as the funeral for HM Queen Elizabeth II in September 2022.

Collaborative working: Within this cost area we have increased provisions for insurance claims made against the force following a review of current open cases and professional advice in relation to the valuation of these cases.

Force change programme: Overspends of £1.7m were experienced in relation to the remainder of the force change programme. The programme was largely on budget but costs in relation to one project were recategorised part way through the year from capital to revenue and hence put a pressure on the revenue budget.

Employee Expenses: The Force successfully exceeded the target to recruit 488 additional police officers in 2022-23 to deliver an uplift of 1,218 officers over a 3-year period. Notwithstanding this uplift in officer numbers; police officer pay underspent by £7.4. This was due to a combination of vacancies in the first half of the year and profiling of new recruits. Police staff underspends were £5.1m which were driven by a strategy of holding police staff vacancies except for strategically key posts, due to financial pressures in the first half of the year. PCSO underspends of £0.8m were due to vacant posts and the transition of PCSOs into police officer posts in the latter part of the year. Overall employee related expenditure was underspent by £10m where underspends on pay were slightly offset by overspends on overtime, temporary staff and other employee costs.

Capital Financing: Revenue contributions to deliver the capital programme were underspent by £2.7m. This was due to slippage in the capital programme – particularly fleet vehicle purchase delays and the IT&D business as usual programme for infrastructure and network services which was impacted by the availability of raw materials and specialist resources. As a result, the capital financing required was lower than budgeted for. The underspend will be earmarked to deliver the required revenue contributions to the capital programme in 2023-24.

External income: Income was greater than budgeted for by £3.7m. This was due to a combination of factors. The force received an additional £1.2m income for agreeing to take an additional 60 police officers above the 1,200-uplift target by the end of the year and received £1m additional income from Central Government for opening up cell blocks to alleviate prisoner overcrowding. In addition, income was earned from mutual aid officers being deployed to other forces to support regional and national events

West Midlands Police and Crime Commissioner

The Office of the Police and Crime Commissioner outturn was an expenditure of £8.8m with a net use of reserves of £0.3m. A balance of reserves of £2.9m will be fully carried forward into 2023-24. The underspend relates mostly to commissioned services which will be re-phased for delivery in 2023-24.

The table below shows how the Net Budget Requirement of £683.0m is funded from Government Grants and Council Tax.

	2022-23 Outturn £m
Council Tax Payer	134.6
Police Revenue Grant	312.6
Council Tax Support Funding	19.0
Formula Funding	216.8
Net Budget Requirement	683.0

MATERIAL ASSETS ACQUIRED, LIABILITIES INCURRED AND FINANCING OF CAPITAL EXPENDITURE

The PCC/Group has £4.3m of Capital Reserves in Unapplied Capital Grants and Unapplied Capital Receipts to meet future capital expenditure plans and other financial commitments.

The construction phase of the Estates Strategy was delayed to focus on refurbishment and free up staff for the Commonwealth Games and restructures.

The PCC/Group has taken ownership of £4.5m 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 also reviewed to ensure the mobile devices and other solutions employed throughout the Force meet the new vision.

The capital programme for 2022-23 is summarised in the table below.

2021-22 Outturn £'000		2022-23 Programme £'000	2022-23 Outturn £'000
	Property Plant and Equipment comprising:		
	Land and Buildings:		
6,159	New Police Buildings	3,506	0
750	Improvements and Adaptations	3,441	329
	Vehicles and Equipment:		
6,638	Vehicles	5,846	4,528
8,959	IT and Equipment	9,954	4,679
3,466	Intangibles	1,766	122
25,972	TOTAL	24,513	9,658
	FINANCING OF EXPENDITURE		
7,764	Capital Grants	2,409	2,409
6,487	Capital Receipts	4,680	62
11,721	Direct Revenue Financing	15,424	7,187
0	Prudential Borrowing	2,000	0
25,972	TOTAL	24,513	9,658

How we have performed in 2022-23

The table below shows some key crime statistics for West Midlands Police for the year ended 31 March 2023 compared to the same time in the previous year.

	2021-22	2022-23	% change
Total recorded Crime	359,898	336,337	-7%
Business Crime	41,895	49,351	18%
Burglary	15,009	15,682	4%
Robbery	7,861	8,402	7%

Although total recorded crime has reduced, we are still seeing increased levels of certain crimes. Compared to the previous year Q1 saw the biggest increase as the 2021 quarter still contained lockdown restrictions as society hadn't fully opened up. Levels of burglary and robbery whilst increasing compared to the previous year are still some way below pre covid baselines. Throughout the year vehicle offences continued to increase, a trend that is seen nationally with all forces seeing upward trend associated with supply of vehicle parts. Towards the end of the year theft offences increased such as shoplifting to be highest for over 4 years potentially linked to the cost of living.

Performance rated by PEEL assessment

In the last PEEL (Police effectiveness, efficiency and legitimacy) inspection of West Midlands Police, Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) found good practice in the following areas:

- Use of resources
- Recording crime
- Prioritising public safety
- Protecting people from serious harm
- Using problem solving and work with other organisations to prevent crime, anti-social behaviour and vulnerability.

HMICFRS also said West Midlands Police had made progress against many areas of national recommendation:

- Monitoring and analysing stop and search data and working to improve further
- Holding regular scrutiny panels, which examine body worn video footage
- Challenging how officers use stop and search powers to ensure a fairer service to the public.

The inspectorate also recognised ongoing efforts to make sure the workforce reflects the diverse communities it serves.

EARMARKED AND GENERAL RESERVES

Earmarked Reserves amount to £58.9m, and the General Reserve has been maintained at £12.0m to adequately cover the risk of major incidents.

Reserves analysed in greater detail:

	General Fund Balance £m	Earmarked Reserves £m
Opening Balance 1 April 2022	12.0	50.9
Movement in year	0	8.0
Closing Balance 31 March 2023	12.0	58.9

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 £221.8m into net liabilities of £5,664.5m.

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

	2021-22 £'000	2022-23 £'000
Police Officers	8,290,840	5,912,960
Police Staff	425,724	(26,784)
PCC staff	5,029	153
Total	8,721,593	5,886,329

The actuarial gain on pension funds in 2022-23 totalled £3,074.8m and compared to actuarial gains in 2021-22 of £107.8m. The decrease in the liability of £2,835m is due mainly to an increase in the discount rate for future cash flows as well as decreases in assumed future salaries and in the rate of CPI inflation. 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 55 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 £5.9bn 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 2022-23 Accounts and the Accounting Policies for the group remain unchanged.

BORROWING

The PCCWM's long term borrowing totals £107.0m (£104.9m in 2021-22). One new loan of £7m was taken out in 2022-23. Details of borrowing are shown in Note 33.

CASH FLOWS

The group's cash flows in 2022-23 showed that cash from operating activities produced a net surplus of £0.7m and a surplus in investing and financing activities of £22.7m resulting in a net increase in cash and cash equivalents of £23.4m. (£0.7m increase in cash and cash equivalents in 2021-22). This is shown in the Cash Flow statement on page 38. Cash flows have been forecast for 2023-24 supported by information from a variety of sources.

FUTURE OUTLOOK

During 2022-23 the force delivered on the 3-year commitment to uplift the number of police officers by an additional 1,218 as part of the government pledge to recruit an additional 20,000 police officers nationally by 2023. We are now looking to maintain this national uplift, and exceed this investment where affordability permits. This has provided us with significant opportunities to increase service levels in key areas.

As a result, as we move into 2023-24 we are changing how we operate to ensure we are delivering an effective and efficient service to the public which enshrines the principles of local neighbourhood policing. At the heart of this is the development of a new local policing model built on seven new Local Policing Areas (LPAs). These will provide a local, visible police service, delivered in the heart of our diverse communities. This is led by our desire to be recognised as an outstanding police service that is big enough to cope with everything that is asked of us and small enough to care about the things that really matter to people. We have set our new vision for the force, which is built on three pillars:

- Delivering a service that works for local people
- Building engaged communities
- Being an employer of choice

FUTURE FUNDING LEVELS

The Police and Crime Commissioner is funded through grants from central government, based on the police funding formula and the police precept component of local council tax. 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 work has started on revisiting the funding formula no specific completion date has been set, therefore there is an 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 progress through 2023-24. Significant pay award and inflationary pressures identified leading up to setting the budget for 2023-24 materialised and a number of decisions were made to enable us to balance the budget. These decisions included a mix of one-off and permanent measures. Due to the one-off nature of some of the 2023-24 decisions and the ongoing inflationary pressures the financial landscape continues to be challenging and further efficiency savings will be need to be achieved through the Priority Based Budgeting process during 2023-24 leading into 2024-25.

The financial pressures are likely to continue until a funding review is carried out by government although this is unlikely to address all future financial pressures.

EVENTS AFTER THE REPORTING PERIOD

There are no material events to report after 31 March 2023.

Police and Crime Commissioner West Midlands Annual Governance Statement

Position as at 31st March 2023 including plans for the financial year 2023-24

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.

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*, which can be obtained by contacting the Commissioner's office, details at <https://www.westmidlands-pcc.gov.uk/contact>.

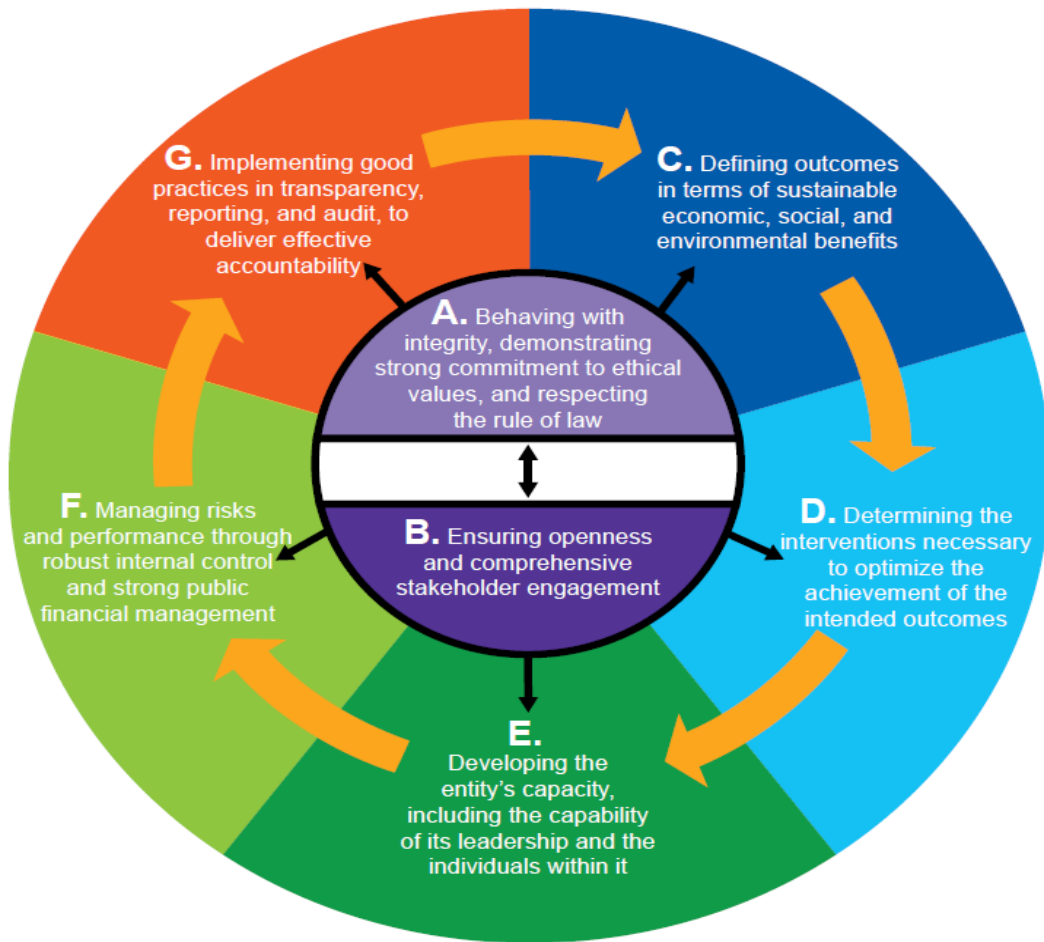
This statement explains how the Commissioner has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 (amended 2020), regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

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 2021 - 2025 sets out the Commissioner's objectives for policing and community safety, the policing to be provided, the financial and other resources that will be available, how performance will be measured, what grants will be made and how the Chief Constable will be held to account.
- The operation of the Strategic Policing and Crime Board (SPCB) that assists in holding to account West Midlands Police. The SPCB meets monthly in public. The meetings are webcast.

- 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.
- 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 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 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 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 and Value for Money. The Commissioner provides information to External Audit to enable them to provide assurance and also ensures External Audit’s recommendations are implemented.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Developing good governance arrangements in respect of partnership and other joint working arrangements.

The diagram below details how the Commissioner’s current 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 undergo regular training 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.

Every 5 years 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 during 2022-23. The results of the assessment were positive with the service assessed as being fully compliant against the Standards. 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 2022-23 Internal Audit continued the approach of concentrating on the major risks faced by the PCC and the Force. The approach has allowed the Commissioner to have increased confidence in the governance, risk management and control processes. A mid-year review of the Internal Audit Plan was undertaken to ensure the audits remained focussed on the key risk areas. Regular updates on progress against the audit plan and key findings arising are provided to the Commissioner.

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, however, due to the Force implementing a new operating model in early April 2023, the plan will inevitably need to remain flexible and responsive to any change in the risk environment.

- **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

- **Mapping of Governance Framework**

To review the effectiveness of the Commissioner's governance arrangements an assessment was undertaken using a governance dashboard and applying CIPFA's seven principles of good governance in policing. The results of this assessment are detailed in the Appendix to this statement. It can be seen that all areas are maintaining in terms of status. Also, with the exception of managing data, all areas have a green RAG status. Managing Data remains amber due to the continued embedding of WMP's IT systems across the organisation.

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 regional forces collaboration agreement for the counter-terrorism policing network that also includes responsibility for Special Branch services.
- The National Ballistics Intelligence Service (NABIS) where the West Midlands Police is the co-host force. The arrangement is also subject to a collaboration agreement and the Commissioner is represented on the NABIS governing board.
- The West Midlands Regional Organised Crime Unit (ROCU) which is a four-force collaboration agreement between Staffordshire, Warwickshire, West Mercia and West Midlands.
- The West Midlands Violence Reduction Partnership which involves WMP, health and education professionals working 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 WMP that continues to significantly reduce crime on all modes of transport across the region.
- A West Midlands Combatting Drugs & Alcohol Partnership has been established to co-ordinate activity to reduce drug harm in the local area
- An agreement with Birmingham Airport for WMP to provide policing services to the airport.
- 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.

- A collaboration with Warwickshire PCC where WMP delivers Forensic Services to Warwickshire Police.

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.

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.

A self-assessment compliance review of the CIPFA FM Code was completed during 2021-22 across the PCC and Force, with the majority of the assessment being RAG rated as green with no areas of concern. There have been no significant changes in policy or process since this assessment was completed although a range of activity has occurred to improve financial accountability, including delivering finance training to budget holders and agreeing and publishing a finance Service Level Agreement.

Work will continue in 2023-24 to introduce enhanced financial reporting which will provide real time data to budget holders to enhance decision making. Work is also underway to automate scenario planning in the MTFP.

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.

During 2022-23 Internal Audit completed a review of Child Abuse which considered the arrangements in place to investigate child abuse allegations following the recommendations made from the Joint Targeted Area Inspection (JTAI) for Solihull and the National Child Safeguarding Practice review. The audit identified significant risks within Force Contact in respect of the quality of THRIVE+ assessments and lack of compliance with escalation processes that should be used when target response times for P2 calls look like they may not be achieved. The lack of trained and experienced officers within the Child Abuse Investigation Teams and high workloads per officer was also raised which impacts not only on the early identification of the threat and risk of

a child being at risk of harm, but also the progression of investigations, the level of service delivered to victims, as well as the wellbeing of staff. Although a minimal opinion was given, the audit recognised the positive work being undertaken to improve child abuse investigations. Whilst the direction of travel is positive the audit concluded that the Force has more to do to protect children from harm.

The Internal Audit findings referred to above were reported to the Joint Audit Committee in March 2023. Internal Audit will complete follow up work to report on the implementation of agreed recommendations.

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 PCC continues to receive financial support from Home Office in relation to legal claims from the Hillsborough disaster. This is through the Special Grant scheme operated by the Home Office.

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 will continue as the Force faces significant budget pressures alongside implementing a new operating model.

9 Delivering the Police and Crime Plan

During 2021-22 a new police and crime was developed covering the period up to 2025. A delivery plan was produced to ensure delivery of the plan. This assists 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

Progress has been made on addressing the issues raised in the AGS for 2022-23. This includes the following:

- A full follow-up review of Rape and Serious Sexual Offence (RASSO) investigations was undertaken during 2023-24, which established progress on implementing the recommendations made within the 2021-22 audit. The original review identified gaps in the training undertaken. It also highlighted high caseloads for officers working with RASSO which impacts on the quality and timeliness of investigations and gaps in victims contact.

The Force was selected as a pilot force for Project Bluestone (Operation Soteria), which has looked to improve the investigation and victim engagement in rape and sexual assault offences which focuses on four pillars for improvement around; suspect focused investigations (Pillar 1), resources prioritised to disrupt and challenge repeat offenders (Pillar 2), embedding a systematic procedural justice approach to victim engagement (Pillar 3) and embedding officer learning and development and well-being (Pillar 4). Following 12-week assessment, 62 recommendations were made. Work is progressing to implement the recommendations from Op Soteria, with some similar themes being identified to what was reported in the initial internal audit report. The Internal Audit follow up concluded that whilst progress was being made, the majority of recommendations remain open and will continue to be reviewed. Internal Audit were therefore not in a position to alter the original opinion of minimal assurance.

The PCC has recently made a 'Special Grant' application to the government, as part of action to better investigate sexual offences and help those affected by these crimes.

- Internal Audit also followed up on the actions agreed from the Detained Property audit referred to in the previous year's Governance Statement which confirmed the recommendations and additional actions determined by management are being progressed, but have not yet been fully implemented. The original audit report raised concerns around the volume of missing property items for which monthly updates are now given at the Force Performance Panels. Other actions agreed during the audit are

being progressed as part of wider plans during 2023-24 with Corporate Asset Management and Shared Services continuing to work together to resolve these.

- A follow up on the actions arising from the Domestic Abuse Case Management audit, also reported in last year's Governance Statement, confirmed good progress has been made to resolve the issues raised during this audit with only two low level recommendations outstanding, which are currently being progressed by management.

All the findings from Internal Audit's referred to above were reported to the Joint Audit Committee during 2022-23. Internal Audit will complete further follow up work to report on the implementation of agreed recommendations.

The Commissioner continues to receive financial support from the Home Office in relation to legal claims from the Hillsborough disaster. This is through the Special Grant scheme operated by the Home Office.

The Commissioner has also continued to hold the Chief Constable to account where reductions in funding have had potential impact on business as usual activities of the Force. PCC and Chief Constable meetings also now include consideration of HMICFRS findings and recommendations and also review of Forces Corporate Risk Register to obtain additional assurance in these areas.

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: -

- 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 Partnership.
- The future implementation of a revised funding formula for policing, which will have implications on the level of resources available for policing services across the West Midlands.
- Ensuring new Force systems operate effectively and generate efficiencies.
- Implementing changes arising from the Procurement Bill, once announced.
- The risks associated with maintaining the police officers recruited as part of the Uplift programme and ensuring the extra officers are deployed in priority areas across the Force.
- The increasing role of PCCs in the Criminal Justice System.
- The introduction of national crime and policing measures.
- Implementing the outcomes of the Government's review of PCCs and management of the potential transition of the PCCs functions to the West Midlands Combined Authority.
- The continued implementation of the Estates strategy approved by the Commissioner in November 2021, including the investment in new facilities and releasing vacant properties.
- The green agenda including delivering and embedding WMP's environmental strategy launched during 2022.
- Working with the West Midlands Combined Authority on joint projects, including those arising from the Trailblazer Devolution Deal, to assist in the prevention of crime in the West Midlands.
- The duty to cooperate across police, fire and ambulance services.
- Continuing to embed the newly established Combatting Drugs and Alcohol Partnership chaired by the Commissioner.
- Responding to government initiatives including the Levelling Up and Regeneration agenda.
- Implementing changes in the Policing Protocol, once announced.
- Continuing to embed partnership working in key areas such as Ending Male Violence against Women and Girls, and supporting scrutiny panels such as the Custody Scrutiny Panel and Young people Scrutiny Panel for Stop and Search.

- PCC and Chief Constable will have regard to recent changes to Strategic Policing Requirement which introduced an additional priority area around Violence Against Women and Girls.
- Ensuring compliance with the recently implemented Serious Violence Duty which aims to ensure relevant services work together to share information and collaborate on interventions to prevent and reduce serious crimes.
- PCC and Chief Constable meetings now include consideration of HMICFRS findings and recommendations and also review of Forces Corporate Risk Register to obtain additional assurance in these areas.

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
Police and Crime Commissioner West Midlands

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

Lynn Joyce
Interim 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 2023 and its income and expenditure for the year then ended.

Lynn Joyce
Interim Chief Finance Officer, West Midlands Police and Crime Commissioner
Date:

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

The PCCWM is required:

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

POLICE AND CRIME COMMISSIONER'S CERTIFICATE

I certify that the Statement of Accounts has been certified by the responsible financial officer and approved for issue by the Police and Crime Commissioner for the West Midlands on xx 2023, 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 2022-23 or before have been reflected in the accounts.

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

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 7 to the Accounts.

2021-22 gross expenditure £'000	2021-22 gross income £'000	2021-22 net expenditure £'000	GROUP	Note	2022-23 gross expenditure £'000	2022-23 gross income £'000	2022-23 net expenditure £'000
			Chief Constable				
810,625	(61,650)	748,975	Policing Services		784,466	(62,975)	721,491
13,224	(3,807)	9,417	Change Programme		23,123	(1,480)	21,643
118,619	(77,825)	40,794	Regional & National Services		183,811	(140,077)	43,734
			Police and Crime Commissioner				
3,376	(92)	3,284	Office of the PCC		3,418	(103)	3,315
20,196	(13,248)	6,948	Commissioned Services		21,165	(14,818)	6,347
966,040	(156,622)	809,418	NET COST - GENERAL FUND SERVICES		1,015,983	(219,453)	796,531
0	(769)	(769)	Net (gain)/loss on disposal		0	(161)	(161)
3,395	0	3,395	Interest Payable and Similar Charges		3,576	0	3,576
0	(570)	(570)	Interest and Investment Income		0	(3,155)	(3,155)
172,330	0	172,330	Pension Net Interest Cost	18	231,671	0	231,671
175,725	(1,339)	174,386	Financing and Investment Income and Expenditure		235,247	(3,316)	231,931
1,141,765	(157,961)	983,804	NET OPERATING EXPENDITURE		1,251,231	(222,769)	1,028,462
0	(148,168)	(148,168)	Council Tax Payer		0	(156,103)	(156,103)
0	(291,201)	(291,201)	Police Grant	13	0	(312,599)	(312,599)
0	(204,682)	(204,682)	Formula Grant	13	0	(216,818)	(216,818)
0	(84,768)	(84,768)	Pensions Top Up Grant Receivable		0	(93,388)	(93,388)
0	(7,876)	(7,876)	Non-Specific Government Grants		0	(2,524)	(2,524)
0	(736,694)	(736,694)	Taxation and non-specific grant income		0	(781,432)	(781,432)
1,141,765	(894,655)	247,110	(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES		1,251,231	(1,004,201)	247,030
		(3,876)	(Surplus)/Deficit on the revaluation of fixed assets				(13,056)
		(781)	Movement in Pooled investment Funds				862
		(107,755)	Re-measurement of the net defined benefit liability	18			(3,074,793)
		(112,412)	Other Comprehensive Income and Expenditure				(3,086,987)
		134,699	Total Comprehensive Income and Expenditure				(2,839,957)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – PCC

2021-22 gross expenditure £'000	2021-22 gross income £'000	2021-22 net expenditure £'000	PCC	Notes	2022-23 gross expenditure £'000	2022-23 gross income £'000	2022-23 net expenditure £'000
3,376	(92)	3,284	Office of the PCC		3,418	(103)	3,315
20,196	(13,248)	6,948	Commissioned Services		21,165	(14,818)	6,347
23,572	(13,340)	10,232	Total Cost of Services		24,583	(14,921)	9,662
780,174	(143,282)	636,892	PCC funding to the CC for financial resources consumed		891,336	(204,532)	686,804
803,746	(156,622)	647,124	NET COST - GENERAL FUND SERVICES		915,919	(219,453)	696,467
0	(769)	(769)	Net (gain)/loss on disposal		0	(161)	(161)
3,395	0	3,395	Interest Payable and Similar Charges		3,576	0	3,576
0	(570)	(570)	Interest and Investment Income		0	(3,155)	(3,155)
125	0	125	Pension Interest Cost and expected return on assets	18	152	0	152
3,520	(1,339)	2,181	Financing and Investment Income and Expenditure		3,728	(3,316)	412
807,266	(157,961)	649,306	NET OPERATING EXPENDITURE		919,647	(222,769)	696,879
0	(148,168)	(148,168)	Council Tax Payer		0	(156,103)	(156,103)
0	(291,201)	(291,201)	Police Grant	13	0	(312,599)	(312,599)
0	(204,682)	(204,682)	Formula Grant	13	0	(216,818)	(216,818)
84,768	(84,768)	0	Pensions Top Up Grant Receivable (paid to CC)		93,388	(93,388)	0
0	(7,876)	(7,876)	Non-Specific Government Grants		0	(2,524)	(2,524)
84,768	(736,694)	(651,926)	Taxation and non-specific grant income		93,388	(781,432)	(688,045)
892,034	(894,655)	(2,621)	(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES		1,013,035	(1,004,201)	8,834
		(3,876)	(Surplus)/Deficit on the revaluation of fixed assets				(13,056)
		(781)	Movement in Pooled investment Funds				862
		(1,736)	Re-measurement of the net defined benefit liability	18			(6,038)
		(6,393)	OTHER COMPREHENSIVE INCOME AND EXPENDITURE				(18,232)
		(9,013)	Total Comprehensive Income and Expenditure				(9,397)

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 taxation and non-specific grant resources originally paid to the PCC to the Chief Constable to allow him to carry out effective police services.

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 2021	(69,692)	(6,131)	(562)	(76,385)	8,446,131	8,369,746	8,582,019	(212,273)
Movements in Reserves during 2021/22								
Total Comprehensive Income and Expenditure	247,110	0	0	247,110	(112,411)	134,699	143,713	(9,014)
Adjustments between accounting and funding basis under regulations	(240,351)	3,559	(111)	(236,903)	236,903	0	0	0
Net increase or decrease before transfer to earmarked reserves	6,759	3,559	(111)	10,207	124,492	134,699	143,713	(9,014)
Transfer to/from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase/Decrease during the year	6,759	3,559	(111)	10,207	124,492	134,699	143,713	(9,014)
Balance as at 31 March 2022 carried forward	(62,933)	(2,572)	(673)	(66,178)	8,570,623	8,504,445	8,725,731	(221,286)
Movements in Reserves during 2022/23								
Total Comprehensive Income and Expenditure	247,030	0	0	247,030	(3,086,987)	(2,839,957)	(2,830,559)	(9,398)
Adjustments between accounting and funding basis under regulations	(255,045)	(902)	(115)	(256,062)	256,062	0	0	0
Net increase or decrease before transfer to earmarked reserves	(8,014)	(902)	(115)	(9,031)	(2,830,926)	(2,839,957)	(2,830,559)	(9,398)
Transfer to/from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase/Decrease during the year	(8,014)	(902)	(115)	(9,031)	(2,830,926)	(2,839,957)	(2,830,559)	(9,398)
Balance as at 31 March 2023 carried forward	(70,947)	(3,474)	(788)	(75,209)	5,739,696	5,664,488	5,895,172	(230,684)

The adjustments between accounting and funding basis under regulations are shown in detail in note 25.

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	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total PCC Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	(11,227)	(57,650)	(68,877)	(6,130)	(562)	(75,570)	(136,703)	(212,273)
Movements in Reserves during 2021/22								
Total Comprehensive Income and Expenditure	(2,621)	0	(2,621)	0	0	(2,621)	(6,393)	(9,014)
Adjustments between accounting and funding basis under regulations	8,970	0	8,970	3,559	(111)	12,418	(12,418)	0
Net increase or decrease before transfer to earmarked reserves	6,349	0	6,349	3,559	(111)	9,797	(18,811)	(9,014)
Transfer to/from Earmarked Reserves	(6,759)	6,759	0	0	0	0	0	0
Increase/Decrease during the year	(410)	6,759	6,349	3,559	(111)	9,797	(18,811)	(9,014)
Balance as at 31 March 2022 carried forward	(11,637)	(50,891)	(62,528)	(2,571)	(673)	(65,772)	(155,514)	(221,286)
Movements in Reserves during 2022/23								
Total Comprehensive Income and Expenditure	8,834	0	8,834	0	0	8,834	(18,232)	(9,398)
Adjustments between accounting and funding basis under regulations	(17,255)	0	(17,255)	(902)	(115)	(18,272)	18,272	0
Net increase or decrease before transfer to earmarked reserves	(8,420)	0	(8,420)	(902)	(115)	(9,438)	40	(9,398)
Transfer to/from Earmarked Reserves	8,014	(8,014)	0	0	0	0	0	0
Increase/Decrease during the year	(406)	(8,014)	(8,420)	(902)	(115)	(9,438)	40	(9,398)
Balance as at 31 March 2023 carried forward	(12,042)	(58,905)	(70,947)	(3,474)	(788)	(75,209)	(155,475)	(230,684)

GROUP AND PCC BALANCE SHEET

	Notes	PCC as at 31 March 2022 £'000	Group as at 31 March 2022 £'000	PCC as at 31 March 2023 £'000	Group as at 31 March 2023 £'000
Operational Assets:					
Land and Buildings	27	173,161	173,161	180,284	180,284
Vehicles, Plant, Furniture and Equipment	27	33,547	33,547	29,984	29,984
Non Operational Assets:					
Assets Under Construction	27	11,976	11,976	0	0
Heritage Assets					
Intangible Assets: (Software)	31	20,799	20,799	18,516	18,516
		239,669	239,669	228,970	228,970
Long-term Investments	34	15,386	15,386	4,394	4,394
Long-term Debtors	35	356	356	158	158
Long-Term Assets		255,411	255,411	233,523	233,523
Short term investments	34	30,022	30,022	10,124	10,124
Inventory	37	838	838	758	758
Short Term Debtors	38	90,343	90,343	117,971	117,971
Assets held for sale (< 1 year)	40	1,020	1,020	2,270	2,270
Cash and Cash equivalents	39	45,938	45,938	66,055	66,055
Current Assets		168,161	168,161	197,179	197,179
Short-term borrowing	33	(1,667)	(1,667)	(2,655)	(2,655)
Bank Overdraft	39	(3,281)	(3,281)	0	0
Short-term Creditors	41	(77,081)	(77,081)	(76,880)	(76,880)
Accumulated Absences	43	(66)	(9,232)	(4)	(8,999)
Provisions	20	(9,869)	(9,869)	(13,014)	(13,014)
Donated Inventories Account	37	(441)	(441)	(337)	(337)
Current Liabilities		(92,404)	(101,571)	(92,889)	(101,885)
Capital Long-Term Borrowing	33	(104,853)	(104,853)	(106,976)	(106,976)
Pensions Liability	18	(5,029)	(8,721,593)	(153)	(5,886,329)
Long-Term Liabilities		(109,882)	(8,826,446)	(107,129)	(5,993,305)
Net Assets:		221,286	(8,504,445)	230,684	(5,664,488)
Usable Reserves:					
Usable Capital Receipts Reserve	25	(2,571)	(2,571)	(3,473)	(3,473)
Other Earmarked Reserves	26	(47,608)	(47,608)	(42,660)	(42,660)
General Fund Reserves	26	(11,637)	(12,042)	(12,042)	(12,042)
Budget Reserve	26	(3,283)	(3,283)	(16,245)	(16,245)
Capital Grants Unapplied	25	(673)	(673)	(788)	(788)
Unusable Reserves:					
Capital Adjustment Account	43	(128,675)	(128,675)	(110,407)	(110,407)
Revaluation Reserve	43	(31,219)	(31,219)	(43,037)	(43,037)
Pensions Reserve	18	5,055	8,722,024	153	5,886,329
Deferred Capital Receipts	35	(356)	(356)	(158)	(158)
Pooled Investment Funds Adjustment Acct	43	(228)	(228)	633	633
Collection Fund Adjustment Account	43	(156)	(156)	(2,662)	(2,662)
Accumulated Compensated Absences Account	43	66	9,232	4	8,999
Total Reserves:		(221,286)	8,504,445	(230,684)	5,664,488

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 2022		Note	As at 31 March 2023	
£'000	£'000		£'000	£'000
<u>Operating Activities</u>				
EXPENDITURE				
621,183			652,125	
146,308			227,698	
3,386			3,486	
770,877			883,309	
INCOME				
(145,208)			(153,597)	
(204,682)			(216,818)	
(414,386)			(490,070)	
(14)			(8)	
(570)			(2,973)	
(26,248)			(20,518)	
(791,108)			(883,984)	
	(20,231)	Net cash flows from operating activities		(675)
<u>Investing activities</u>				
EXPENDITURE				
24,850			11,250	
3,937			0	
28,787			11,250	
INCOME				
(2,730)			(964)	
0			(30,027)	
(2,730)			(30,991)	
	26,057	Net cash flows from investing activities		(19,741)
<u>Financing activities</u>				
(7,500)			(7,000)	
890			3,979	
37			39	
(6,573)		Net cash flows from financing activities		(2,982)
(747)		Net (increase)/decrease in cash and cash equivalents	44	(23,398)
41,910		Cash and cash equivalents at the beginning of the reporting period	45	42,657
42,657		Cash and cash equivalents at the end of the reporting period	45	66,055

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1. 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. CIPFA LASAAC put forward a consultation on emergency proposals for an update of the 2021-22 Code of Practice in February 2022 and following consideration by the government's Financial Reporting Advisory Board has made a formal decision to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024-25 Code). However, both the 2022-23 and the 2023-24 Codes will allow for adoption as of 1 April 2022 or 2023.

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.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in the Statement of Accounts in 2022-23 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 split of 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.

3. 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 2023 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 liability as at 31 March 2023 is £5,886m (£8,722m in 2021-22). So a very small percentage change in the overall liability can have a material impact on the accounts.
Property Valuations	It is important to recognise that the valuation has been prepared against the backdrop of a very challenging economic outlook and financial market instability.	Current value of Land & Building on the balance sheet is £180.3m. Market movements, if significant, may potentially have a material impact on this value.

4. EVENTS AFTER THE BALANCE SHEET DATE

There are no material events to report after 31 March 2023.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

5. EXPENDITURE AND FUNDING ANALYSIS

2021-22 Net Expenditure Chargeable to the General Fund Balance £'000	2021-22 Adjustments between Funding and Accounting Basis £'000	2021-22 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	GROUP	2022-23 Net Expenditure Chargeable to the General Fund Balance £'000	2022-23 Adjustments between Funding and Accounting Basis £'000	2022-23 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
			Chief Constable			
609,104	139,871	748,975	Policing Services	627,621	93,870	721,491
7,318	2,099	9,417	Change Programme	9,726	11,917	21,643
19,496	21,298	40,794	Regional & National Services	28,492	15,242	43,734
			Police and Crime Commissioner			
2,554	730	3,284	Office of the PCC	2,818	497	3,315
6,552	396	6,948	Commissioned Services	5,922	425	6,347
645,024	164,394	809,418	Net Cost of Services	674,579	121,951	796,530
(638,265)	75,957	(562,308)	Other Income and Expenditure	(682,593)	133,093	(549,500)
6,759	240,351	247,110	Surplus or Deficit	(8,014)	255,044	247,030

2021-22 Net Expenditure Chargeable to the General Fund Balance £'000	2021-22 Adjustments between Funding and Accounting Basis £'000	2021-22 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	PCC	2022-23 Net Expenditure Chargeable to the General Fund Balance £'000	2022-23 Adjustments between Funding and Accounting Basis £'000	2022-23 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
			Police and Crime Commissioner			
2,554	730	3,284	Office of the PCC	2,818	497	3,315
6,552	396	6,948	Commissioned Services	5,922	425	6,347
635,508	1,384	636,892	Funding to the CC	665,433	21,371	686,804
644,614	2,510	647,124	Net Cost of Services	674,173	22,293	696,466
(638,265)	(11,480)	(649,745)	Other Income and Expenditure	(682,593)	(5,039)	(687,632)
6,349	(8,970)	(2,621)	Surplus or Deficit	(8,420)	17,254	8,834

	Group		PCC	
	2021-22	2022-23	2021-22	2022-23
Opening General Fund Balance	(69,693)	(62,934)	(68,877)	(62,528)
Less Deficit on General Fund Balance in Year	6,759	(8,014)	6,349	(8,420)
Closing General Fund Balance at 31 March	(62,934)	(70,948)	(62,528)	(70,948)

6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2022-23	Adjustment for Capital Purposes (Note 1)	Net Change for the Pensions Adjustment (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis
GROUP	£'000	£'000	£'000	£'000
Chief Constable				
Policing Services	6,564	87,478	(172)	93,870
Change Programme	11,864	53		11,917
Regional & National Services	2,943	12,299		15,242
Police and Crime Commissioner				
Office of the PCC		559	(62)	497
Commissioned Services		425		425
Net Cost of Services	21,371	100,814	(234)	121,951
Other Income and Expenditure	(2,685)	138,284	(2,506)	133,093
Surplus or Deficit	18,686	239,098	(2,740)	255,044

2021-22	Adjustment for Capital Purposes (Note 1)	Net Change for the Pensions Adjustment (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis
GROUP	£'000	£'000	£'000	£'000
Chief Constable				
Policing Services	(2,397)	144,376	(2,108)	139,871
Change Programme	2,034	65		2,099
Regional & National Services	1,736	19,562		21,298
Police and Crime Commissioner				
Office of the PCC		664	66	730
Commissioned Services		396		396
Net Cost of Services	1,373	165,063	(2,042)	164,394
Other Income and Expenditure	(8,645)	87,562	(2,960)	75,957
Surplus or Deficit	(7,272)	252,625	(5,002)	240,351

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

2022-23	Adjustment for Capital Purposes (Note 1)	Net Change for the Pensions Adjustment (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis
PCC	£'000	£'000	£'000	£'000
Police and Crime Commissioner				
Office of the PCC		559	(62)	497
Commissioned Services		425		425
Funding to the CC	21,371			21,371
Net Cost of Services	21,371	984	(62)	22,293
Other Income and Expenditure	(2,685)	152	(2,506)	(5,039)
Surplus or Deficit	18,686	1,136	(2,568)	17,254

2021-22	Adjustment for Capital Purposes (Note 1)	Net Change for the Pensions Adjustment (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis
PCC	£'000	£'000	£'000	£'000
Police and Crime Commissioner				
Office of the PCC		664	66	730
Commissioned Services		396		396
Funding to the CC	1,373	11		1,384
Net Cost of Services	1,373	1,071	66	2,510
Other Income and Expenditure	(8,645)	125	(2,960)	(11,480)
Surplus or Deficit	(7,272)	1,196	(2,894)	(8,970)

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

7. SUBJECTIVE ANALYSIS OF THE NET COST OF POLICE SERVICES

2021-22 PCC Outturn £'000	2021-22 Group Outturn £'000		2022-23 PCC Outturn £'000	2022-23 Group Outturn £'000
0	547,047	Police Pay and Allowances	0	516,421
4,829	234,452	Police Staff and PCSO Pay and Allowances	5,179	232,415
63	9,007	Other Employee Expenses	59	11,078
4,892	790,506	Sub Total Employee Costs	5,237	759,914
14	25,828	Premises Related Costs	0	29,982
8	13,502	Transport/Travel Costs	24	13,316
760	70,254	Supplies & Services	769	81,981
17,898	49,414	Collaborative working Expenses	18,553	98,626
0	16,435	Capital Financing Costs	0	31,597
23,572	965,940	TOTAL GROSS EXPENDITURE	24,583	1,015,415
(13,340)	(156,622)	External Income	(14,921)	(219,453)
0	100	Non-Distributed Costs	0	568
10,232	809,418	NET COST - GENERAL FUND SERVICES	9,662	796,531

8. COLLABORATIVE WORKING EXPENDITURE

	PCC 31 March 2022 £'000	Group 31 March 2022 £'000	PCC 31 March 2023 £'000	Group 31 March 2023 £'000
Levies	0	6,338	0	7,223
Government Departments	8	377	114	46,808
NHS Bodies	106	168	180	343
Academies	11	11	4	4
Other Police Forces	80	7,794	312	20,122
Other Local Authorities	2,454	3,439	2,129	3,972
All other bodies	15,240	31,287	15,814	20,154
Total Collaborative expenditure	17,899	49,414	18,553	98,626

Collaborative expenditure is included within the net cost of policing services (see note 7) in the group accounts.

9. EMPLOYEE REMUNERATION

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

Group			PCC	Earnings Band	Group			PCC
2021-22 Police Officers	2021-22 Police Staff	2021-22 Total	2021-22 Total		2022-23 Police Officers	2022-23 Police Staff	2022-23 Total	2022-23 Total
6,022	4,327	10,349	68	Less than £49,999	5,947	4,206	10,153	71
699	94	793	3	£50,000 - £54,999	901	118	1,019	5
476	46	522	0	£55,000 - £59,999	558	72	630	0
223	25	248	2	£60,000 - £64,999	266	28	294	2
61	7	68	0	£65,000 - £69,999	75	6	81	1
37	10	47	1	£70,000 - £74,999	40	12	52	1
16	6	22	0	£75,000 - £79,999	20	2	22	0
9	4	13	0	£80,000 - £84,999	12	6	18	0
11	2	13	1	£85,000 - £89,999	11	3	14	0
12	3	15	2	£90,000 - £94,999	12	1	13	0
10	4	14	1	£95,000 - £99,999	13	4	17	0
7	1	8	0	£100,000 - £104,999	4	3	7	2
4	0	4	0	£105,000 - £109,999	3	0	3	0
0	0	0	0	£110,000 - £114,999	1	1	2	0
2	1	3	0	£115,000 - £119,999	1	0	1	0
0	1	1	1	£120,000 - £124,999	2	1	3	1
0	0	0	0	£125,000 - £129,999	0	0	0	0
0	0	0	0	£130,000 - £134,999	0	0	0	0
1	0	1	0	£135,000 - £139,999	0	0	0	0
0	0	0	0	£140,000 - £144,999	0	0	0	0
0	0	0	0	£145,000 - £149,999	0	0	0	0
0	0	0	0	£150,000 - £154,999	0	0	0	0
0	0	0	0	£155,000 - £159,999	0	0	0	0
1	0	1	0	£160,000 - £164,999	0	0	0	0
0	0	0	0	£165,000 - £169,999	0	0	0	0
0	0	0	0	£170,000 - £174,999	0	0	0	0
0	0	0	0	£175,000 - £179,999	0	0	0	0
0	0	0	0	£180,000 - £184,999	0	0	0	0
0	0	0	0	£185,000 - £189,999	0	0	0	0
0	0	0	0	£190,000 - £194,999	0	0	0	0
0	0	0	0	£195,000 - £199,999	0	0	0	0
0	0	0	0	£200,000 - £204,999	0	0	0	0
1	0	1	0	£205,000 - £209,999	0	0	0	0
7,592	4,531	12,123	79	Totals	7,866	4,463	12,329	83

10. 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 2022-23

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	1	145.8		145.8	0.0	145.8
Chief Constable C Guildford	2	72.5		72.5	20.6	93.1
Deputy Chief Constable V Jardine	3	163.5		163.5	48.9	212.4
Assistant Chief Constable (1)	4	75.8		75.8	20.8	96.6
Assistant Chief Constable (2)		122.4		122.4	37.3	159.7
Assistant Chief Constable (3)		110.7		110.7	28.8	139.5
Assistant Chief Constable (4)		120.3		120.3	37.3	157.6
Assistant Chief Constable (5)	5	62.8		62.8	16.9	79.7
Assistant Chief Constable (6)	6	102.3		102.3	28.4	130.7
Assistant Chief Constable (7)	7	62.8		62.8	16.9	79.7
Assistant Chief Constable (8)	8	24.6		24.6	6.0	30.6
Director of Commercial Services (1)	9	30.8		30.8	5.3	36.1
Director of Commercial Services (2)	10	97.6		97.6	18.3	115.9
Director of People & Organisation Development		106.4		106.4	18.6	125.0
Total:		1,298.3		1,298.3	304.1	1,602.4

* Benefits in kind will be added into the audited accounts

Notes:

- Chief Constable D Thompson retired on 4 December 2022
- Chief Constable C Guildford commenced role on 5 December 2022
- DCC V Jardine vacated their role on 31 March 2023
- ACC (1) vacated role of temporary Assistant Chief Constable on 12 September 2022 before returning as Assistant Chief Constable on 16 January 2023
- ACC (5) commenced role of temporary Assistant Chief Constable on 30 August 2022
- ACC (6) vacated role of Assistant Chief Constable on 26 March 2023
- ACC (7) commenced role of temporary Assistant Chief Constable on 30 August 2022
- ACC (8) was seconded to the role of Assistant Chief Constable on 16 January 2023
- Director of Commercial Services (1) retired on 24 June 2022
- Director of Commercial Services (2) commenced role on 8 June 2022

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
Office of the Police and Crime Commissioner						
Police and Crime Commissioner - Mr Simon Foster		101.7	0	101.7	17.4	119.1
West Midlands Office for Policing and Crime - Chief Executive		124.4	0	124.4	21.3	145.7
West Midlands Office for Policing and Crime – Deputy Chief Executive		100.4	0	100.4	17.2	117.6
West Midlands Office for Policing and Crime – Chief Finance Officer		96.4	0	96.4	16.5	112.9
Total:		423.0	0	423.0	72.3	495.4

Notes:

Senior Officers' remuneration in 2021-22

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		207.5	0.8	208.3	0	208.3
Deputy Chief Constable V Jardine		160.1	0.9	161.0	48.6	209.6
Assistant Chief Constable (1)		109.6	0.5	110.1	28.4	138.5
Assistant Chief Constable (2)	1	86.6	0.6	87.2	23.2	110.4
Assistant Chief Constable (3)		118.0	0.9	118.9	36.6	155.5
Assistant Chief Constable (4)	2	101.9	0.0	101.9	31.6	133.5
Assistant Chief Constable (5)		116.6	0.8	117.4	35.8	153.2
Assistant Chief Constable (6)		111.8	0	111.8	26.5	138.3
Assistant Chief Constable (7)	3	61.6	0	61.6	9.5	71.1
Assistant Chief Constable (8)	4	52.6	0	52.6	14.2	66.8
Director of Commercial Services		119.2	0.5	119.7	22.4	142.1
Director of People & Organisation Development	5	127.4	0	127.4	20.5	147.9
Total:		1,372.9	5.0	1,377.9	297.3	1,675.2

Notes:

- ACC (2) vacated role of Assistant Chief Constable on 30 November 2021
- ACC (4) vacated role of Assistant Chief Constable on 31 October 2021
- ACC (7) commenced role of temporary Assistant Chief Constable on 31 August 2021
- ACC (8) commenced role of temporary Assistant Chief Constable on 27 September 2021
- Director of People & Organisational Development vacated their role on 28 February 2022

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
Office of the Police and Crime Commissioner						
Former Police and Crime Commissioner Mr David Jamieson	1	14.7	0	14.7	2.0	16.7
Police and Crime Commissioner - Mr Simon Foster	2	89.2	0	89.2	15.3	104.5
Former Police and Crime – Deputy Commissioner	3	10.4	0	10.4	0.0	10.4
West Midlands Office for Policing and Crime - Chief Executive		121.9	0	121.9	20.8	142.7
West Midlands Office for Policing and Crime – Deputy Chief Executive		98.4	0	98.4	16.8	115.2
West Midlands Office for Policing and Crime – Chief Finance Officer		92.4	0	92.4	15.8	108.2
Total:		427.1	0	427.1	70.7	497.8

Notes:

1. The West Midlands former Police & Crime Commissioner left office on the 12 May 2021
2. The West Midlands Police & Crime Commissioner was appointed on the 10 May 2021
3. The West Midlands former Deputy Police & Crime Commissioner left office on the 12 May 2021

11. 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	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22 £'000	2022-23 £'000
£0 - £19,999	7	6	3	5	10	11	48	93
£20,000 - £39,999	2	1	1	3	3	4	78	123
£40,000 - £59,999	0	0	0	5	0	5	0	238
£60,000 - £79,999	0	1	1	0	1	1	67	68
£80,000 - £99,999	0	2	0	0	0	2	0	174
£100,000 +	1	0	1	4	2	4	272	455
Total	10	10	6	17	16	27	465	1,151

Three compulsory redundancy payments made in 2021-22 relate to departures on 31 March 21 which were omitted from the prior year.

12. EXTERNAL AUDIT COSTS

In 2022-23 the PCCWM incurred the following fees relating to external audit:

	Police and Crime Commissioner		Group	
	2021-22 £'000	2022-23 £'000	2021-22 £'000	2022-23 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	63	63	98	99
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for a prior year	25	0	38	0
Fees Refunded by PSAA with regard to a prior year	(6)	0	(10)	0

The appointed auditor in 2022-23 was Grant Thornton UK LLP. The proposed fee payable by the PCCWM for the audit of the PCC and Group Accounts is £62,928. There is a further proposed fee of £35,744 for the Audit of the Chief Constable of West Midlands Police accounts making a total fee of £98,672 for the Group.

13. GRANT INCOME

The Group credited the following grants to the Comprehensive Income and Expenditure Statement. All non-specific grant 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. The Police Services income received by the Chief Constable is income that is directly attributable to those services. It includes income for services provided such as events and airports but also specific grant income that is credited to the net cost of services rather than non-specific grant income.

	CCWMP 2021-22 £'000	PCCWM 2021-22 £'000	CCWMP 2022-23 £'000	PCCWM 2022-23 £'000
<i>Credited to Taxation and Non Specific Grant Income</i>				
Police Grant	0	291,201	0	312,599
Formula Grant	0	204,682	0	216,818
Council Tax Support Grant	0	19,026	0	19,026
Pensions top up grant receivable	84,768	0	93,388	0
Capital Grants Received	0	7,876	0	2,524
Total	84,768	522,785	93,388	550,967
<i>Credited to Police Services</i>				
Loan Charges Grant	601	0	596	0
Counter Terrorism Grant	49,043	0	57,617	0
Victims' Support Grant	0	5,575	0	6,324
Serious Violence Grant	3,440	3,370	3,024	5,864
County Lines	3,673	0	5,211	0
Commonwealth Games	15,568	0	71,059	0
ROCU Grants	7,731	0	6,988	0
Police Uplift Programme	6,602	0	9,442	0
Police Pensions Grant	6,965	0	6,965	0
Other Grants	11,517	4,108	9,305	1,807
	105,140	13,053	170,207	13,995

14. RELATED PARTY TRANSACTIONS

The PCCWM and Chief Constable of West Midlands Police are required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the 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 13 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 £35.6m in 2022-23 (£34.2m in 2021-22). 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.

Jonathan Jardine, Chief Executive, holds the post of Chair of the Association of Police and Crime Commissioner Chief Executives, which provides guidance and information to the PCCWM and the staff of his Office (as well as other local policing bodies and related organisations). The PCCWM pays an annual subscription fee and conference attendance fees to the Association of Police and Crime Commissioner Chief Executives.

The nature and amount of any transactions between the above parties have been carried out in conjunction with the governance arrangements within the OPCC and do not have any material effect on the accounts.

Force Senior Officers

No Chief Officers of the Force have declared any related party transactions in 2022-23.

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 46.

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 38 and 41 respectively.

15. 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.

	2021-22 £'000	2022-23 £'000
Allowances paid	142	175
Expenses	4	3

16. 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.

2021-22 Outturn £'000		2022-23 Programme £'000	2022-23 Outturn £'000
Property Plant and Equipment comprising:			
Land and Buildings:			
6,159	New Police Buildings	3,506	0
750	Improvements and Adaptations	3,441	329
Vehicles and Equipment:			
6,638	Vehicles	5,846	4,528
8,959	IT and Equipment	9,954	4,679
3,466	Intangibles	1,766	122
25,972	TOTAL	24,513	9,658
FINANCING OF EXPENDITURE			
7,764	Capital Grants	2,409	2,409
6,487	Capital Receipts	4,680	62
11,721	Direct Revenue Financing	15,424	7,187
0	Prudential Borrowing	2,000	0
25,972	TOTAL	24,513	9,658

The opening Capital Financing Requirement (CFR) at the start of the current reporting period was £76.3m and the closing CFR was £74.2m. The decrease in the CFR is made up of the Minimum Revenue Provision (MRP) representing a decrease in the underlying need to borrow.

17. LEASES

Operating Leases

The PCCWM leases several of the properties which it occupies. The amount paid in respect of property rentals in 2022-23 was £2.4m including service charges and insurance.

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

	31 March 2022 £'000	31 March 2023 £'000
Within one year	835	920
Within two to five years	1,574	1,328
After more than five years	1,629	1,751
Total	4,038	3,999

Finance leases

The PCCWM does not have any finance leases in 2022-23.

18. 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 fall due.

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

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

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

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

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

Pension transactions within the Comprehensive Income and Expenditure Statement

2022-23	Local Government Pension Scheme PCC element	Local Government Pension Scheme Group	1987 Police Pension Scheme	Police Injury Awards	2006 Police Pension Scheme	2015 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Net cost of services:</u>							
Current service cost inc administration	(1,550)	(66,069)	(60)	(3,590)		(143,700)	(213,419)
Past service (cost)/ gain		(568)	(124,090)		(12,390)	136,480	(568)
Curtailments							
<u>Financing and Investing Income & Expenditure:</u>							
Net Interest cost	(152)	(12,421)	(179,150)	(2,900)	(10,590)	(26,610)	(231,671)
Total post-employment benefits charged to the surplus or deficit on the provision of Services	(1,702)	(79,058)	(303,300)	(6,490)	(22,980)	(33,830)	(445,658)
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0
<u>Re-measurements of the net defined benefit liability/asset Comprising:</u>							
Return on plan assets (excluding the amount included in the net interest cost)	(271)	(29,646)					(29,646)
Actuarial gains and losses arising on changes in demographic assumptions	208	33,474	61,220	300	16,440	56,800	168,234
Actuarial gains and losses arising on changes in financial assumptions	6,699	558,373	2,124,780	27,920	189,760	514,660	3,415,493
Experience gains and losses arising on the pension liabilities	(598)	(49,668)	(393,250)	4,910	(6,020)	(35,260)	(479,288)
Other actuarial gains and losses							
Net charge to Comprehensive Income and Expenditure Statement	4,336	433,475	1,489,450	26,640	177,200	502,370	2,629,135

2021-22	Local Government Pension Scheme PCC element	Local Government Pension Scheme Group	1987 Police Pension Scheme	Police Injury Awards	2006 Police Pension Scheme	2015 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Net cost of services:</u>							
Current service cost inc administration	(1,557)	(73,514)	(7,580)	(4,550)	(1,030)	(188,530)	(275,204)
Past service (cost)/ gain		(100)					(100)
Curtailments							
<u>Financing and Investing Income & Expenditure:</u>							
Net Interest cost	(125)	(11,500)	(133,360)	(2,180)	(7,940)	(17,350)	(172,330)
Total post-employment benefits charged to the surplus or deficit on the provision of Services	(1,682)	(85,114)	(140,940)	(6,730)	(8,970)	(205,880)	(447,634)
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0
<u>Re-measurements of the net defined benefit liability/asset Comprising:</u>							
Return on plan assets (excluding the amount included in the net interest cost)	467	59,664					59,664
Actuarial gains and losses arising on changes in demographic assumptions	68	7,543	0	0	0	0	7,543
Actuarial gains and losses arising on changes in financial assumptions	1,224	115,819	81,980	1,100	8,100	17,000	223,999
Experience gains and losses arising on the pension liabilities	(23)	(2,891)	(177,750)	1,500	2,330	(6,640)	(183,451)
Other actuarial gains and losses							
Net charge to Comprehensive Income and Expenditure Statement	54	95,021	(236,710)	(4,130)	1,460	(195,520)	(339,879)

Pension transactions within the Movement in Reserves Statement

2022-23	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	1,702	79,058	303,300	6,490	22,980	33,830	445,658
Actual amount charged against the General Fund balance for pensions in the year:							
Employer's contributions payable to the scheme	(540)	(23,909)	0	0	0	0	(23,909)
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(209,620)	(3,710)	(1,850)	31,590	(183,590)

2021-22	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	1,682	85,114	140,940	6,730	8,970	205,880	447,634
Actual amount charged against the General Fund balance for pensions in the year:							
Employer's contributions payable to the scheme	(460)	(25,503)	0	0	0	0	(25,503)
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(195,170)	(3,070)	(1,250)	29,720	(169,770)

In the above table the reversal of net charges for retirement benefits in accordance with International Accounting Standards excludes the pension top up grant (£93.4m in 2022-23) payable to the Chief Constable from the Home Office. This grant is included 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:

2022-23	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	(8,616)	(875,897)	(5,103,900)	(78,990)	(215,500)	(514,570)	(6,788,857)
Fair value of plan assets	8,463	902,528					902,528
Sub-total	(153)	26,631	(5,103,900)	(78,990)	(215,500)	(514,570)	(5,886,329)
Other movements in the liability	0	0	0	0	0	0	0
Net liability arising from the defined benefit obligation	(153)	26,631	(5,103,900)	(78,990)	(215,500)	(514,570)	(5,886,329)

2021-22	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	(12,925)	(1,325,426)	(6,802,960)	(109,340)	(394,410)	(984,130)	(9,616,266)
Fair value of plan assets	7,896	894,673					894,673
Sub-total	(5,029)	(430,753)	(6,802,960)	(109,340)	(394,410)	(984,130)	(8,721,593)
Other movements in the liability	0	0	0	0	0	0	0
Net liability arising from the defined benefit obligation	(5,029)	(430,753)	(6,802,960)	(109,340)	(394,410)	(984,130)	(8,721,593)

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

2022-23	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 -22	(12,925)	(1,325,426)	(6,802,960)	(109,340)	(394,410)	(984,130)	(9,616,266)
Current service cost	(1,550)	(66,069)	(60)	(3,590)		(143,700)	(213,419)
Interest cost	(378)	(37,184)	(179,150)	(2,900)	(10,590)	(26,610)	(256,434)
Contributions by scheme participants	(239)	(8,263)	(30)			(35,600)	(43,893)
Transfers into the scheme			(10)		(140)	(1,220)	(1,370)
Re-measurements of the net defined benefit liability/asset	6,376	542,411	1,792,750	33,130	200,180	536,200	3,104,671
Benefits paid	100	19,202	209,650	3,710	1,850	4,010	238,422
Curtailments							0
Past service costs		(568)	(124,090)		(12,390)	136,480	(568)
Other movements in the liability							
31 March-23	(8,616)	(875,897)	(5,103,900)	(78,990)	(215,500)	(514,570)	(6,788,857)

2021-22	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 -21	(12,249)	(1,355,067)	(6,761,210)	(108,280)	(397,010)	(758,510)	(9,380,077)
Current service cost	(1,557)	(73,514)	(7,580)	(4,550)	(1,030)	(188,530)	(275,204)
Interest cost	(268)	(27,717)	(133,360)	(2,180)	(7,940)	(17,350)	(188,547)
Contributions by scheme participants	(204)	(8,953)	(2,090)	0	(270)	(32,030)	(43,343)
Transfers into the scheme			(210)	0	(110)	(380)	(700)
Re-measurements of the net defined benefit liability/asset	1,269	120,471	(95,770)	2,600	10,430	10,360	48,091
Benefits paid	84	19,454	197,260	3,070	1,520	2,310	223,614
Curtailments			0	0	0	0	0
Past service costs		(100)	0	0	0	0	(100)
Other movements in the liability			0	0	0	0	0
31 March-22	(12,925)	(1,325,426)	(6,802,960)	(109,340)	(394,410)	(984,130)	(9,616,266)

The total employer contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2024 is £27.7m. Expected contributions for the Police Pension Scheme in the year to 31 March 2024 are £81.3m.

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	
	2021-22	2022-23	2021-22	2022-23
01 April	6,706	7,896	803,790	894,673
Interest on plan assets	143	226	16,217	24,763
Return on plan assets excluding the amount included in the net interest expense	467	(271)	59,664	(29,646)
Other Actuarial gains (losses)	0	(67)	0	(232)
Employer contributions	460	540	25,399	23,909
Member contributions	204	239	8,953	8,263
Benefits paid	(84)	(100)	(19,350)	(19,202)
31 March	7,896	8,463	894,673	902,528

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 Hymans Robertson LLP, 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 2022.

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	
	2021-22	2022-23	2021-22	2022-23
	Years	Years	Years	Years
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	21.2	20.9	22.1	21.9
Women	23.6	23.7	23.8	23.5
Longevity at 65 for future pensioners:				
Men	22.9	21.8	23.8	23.5
Women	25.4	25.4	25.4	25.0
	%	%	%	%
Rate of CPI inflation	3.15	2.95	3.00	2.60
Rate of increase in salaries	4.15	3.95	4.75	3.85
Rate of increase in pensions	3.15	2.95	3.00	2.60
Rate for discounting scheme liabilities	2.75	4.75	2.65	4.65

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 accounting date and assumes for each change that the assumption analysed changes while other assumptions remain constant. It is noted that some assumptions are interrelated.

Local Government Pension Scheme PCC	Sensitivity analysis	Impact on the defined benefit obligation in the scheme		
		£'000	£'000	£'000
	Adjustment to the discount rate	+0.1%	0%	-0.1%
	Present value of total obligation	8,397	8,616	8,835
	Adjustment to long term salary increase	+0.1%	0%	-0.1%
	Present value of total obligation	8,650	8,616	8,582
	Adjustments to pension increases and deferred valuations	+0.1%	0%	-0.1%
	Present value of total obligation	8,803	8,616	8,429
	Adjustment to life expectancy assumptions	+ 1 year	No change	- 1 year
	Present value of total obligation	8,961	8,616	8,271

Local Government Pension Scheme Group	Sensitivity analysis	Impact on the defined benefit obligation in the scheme		
		£'000	£'000	£'000
	Adjustment to the discount rate	+0.1%	0%	-0.1%
	Present value of total obligation	856,997	875,897	894,797
	Adjustment to long term salary increase	+0.1%	0%	-0.1%
	Present value of total obligation	878,807	875,897	872,987
	Adjustments to pension increases and deferred valuations	+0.1%	0%	-0.1%
	Present value of total obligation	892,141	875,897	859,653
	Adjustment to life expectancy assumptions	+ 1 year	No change	- 1 year
	Present value of total obligation	910,933	875,897	840,861

Police Pension Scheme	Impact on the defined benefit obligation in the scheme
	£'000
Longevity (decrease of 1 year)	145,000
Rate of increase in pensions / deferred revaluation (increase by 0.5%)	445,000
Rate of increase in salaries (increase by 0.5%)	63,000
Rate of discounting scheme liability (increase by 0.5%)	(459,000)

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). 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:

Asset category	Sub category	PCC Fair value of Assets Held		Group Fair value of assets held	
		31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000
Cash and cash equivalents	All	310.1	295.1	35,134.3	31,465.5
Private Equity	Private	530.2	663.1	60,072.8	70,712.2
Debt Securities	UK Government	488.7	381.9	55,376.3	40,730.1
	Corporate Bonds	459.3	444.9	52,045.0	47,446.5
	Other Bonds	825.1	892.1	93,495.5	95,141.2
Real Estate	UK property	566.3	616.4	64,168.3	65,738.0
Investment Funds and Unit Trusts	Equities	4,258.4	4,554.2	482,499.5	485,668.9
	Infrastructure	318.2	456.3	36,051.6	48,665.7
	Other	135.2	159.0	15,317.5	16,959.9
Derivatives	Foreign Exchange	3.5		397.6	
	Other	1.0		114.6	
Total Assets held		7,896	8,463	894,673	902,528

Claims of age discrimination were brought in relation to the terms of transitional protection by groups of firefighters and members of the Judiciary in the McCloud/Sargeant legal case (referred herein as "McCloud") and the Court of Appeal handed down its judgment on this claim on 20 December 2018, ruling that the transitional protection arrangements were discriminatory on the basis of age.

The Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022) got royal assent on 10 March 2022 and the Act came into force from 1 April 2022. The Act legislates for how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members. The main elements of the Act are:

- Changes implemented across all the main public service pension schemes in response to the Court of Appeal judgment in the McCloud and Sargeant cases.
- Eligible members of the main unfunded pension schemes have a choice of the benefits they wish to take for the "remedy period" of April 2015 to 31 March 2022.
- From 1 April 2022, when the remedy period ends, all those in service in main unfunded schemes will be members of the reformed pension schemes, ensuring equal treatment from that point on.
- Ensures there are no reductions to member benefits as a result of the 2016 cost control valuations.

Impact on pension liability

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.

19. 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.

	2021-22 Capitalised Value £'000	2022-23 Actual Payments £'000	2022-23 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	1,683	91	1,642
	1,683	91	1,642

20. PROVISIONS

	Insurance £'000	Legal compensation £'000	Employee claims £'000	Total £'000
Balance at 1 April 2021	0	0	(878)	(878)
Additional Provisions made in year	(8,259)	0	(731)	(8,990)
Amounts used in year	0	0	18	18
Unused amounts reversed in year	0	0	0	0
Balance as at 31 March 2022 c/f	(8,259)	0	(1,609)	(9,869)
Additional Provisions made in year	(3,677)	(325)	(1,667)	(5,668)
Amounts used in year	2,455	0	68	2,523
Unused amounts reversed in year	0	0	0	0
Balance as at 31 March 2023	(9,481)	(325)	(3,208)	(13,014)

The Insurance provision includes Public and Employers Liability, Fire and Uninsured Losses.

The provision for historic mileage claims in respect of dog handlers (£0.7m) is expected to be settled in May 2023.

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. A provision was made for known claims in the 2018-19 financial year, however since then further claims have now been received from officers, including those in undercover roles. These claims have now been quantified and as such the provision for the impact of these claims has been increased and is shown in the Balance Sheet. This group of claims are therefore now recognised in full in the accounts and the contingent liability has been dissolved.

21. CONTINGENT LIABILITIES AND ASSETS

In respect of the McCloud Pension case, claimants have lodged claims for compensation under two active sets of litigation, Aarons and Penningtons. Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims have been stayed until the remedy is brought into force from 1 October 2023. The settlement of the injury to feelings claims for Aarons sets a helpful precedent, therefore no liability in respect of compensation claims is recognised in these accounts. As at 31 March 2023, it is not possible to reliably estimate the extent or likelihood of Penningtons claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

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.

22. 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 22 £'000	31 March 23 £'000
Balance as at 1 April	923	1,326
Income from confiscations and property auctions	721	357
Payments to charitable causes	(318)	(400)
Balance as at 31 March	1,326	1,283

Notes 23 and 24 contain details of accounts held by the Police and Crime Commissioner for the West Midlands which do not form part of the primary statements shown on pages 33 to 38.

23. 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 2023 was £78,227 (£78,876 at 31 March 2022).

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 2023 was £1,745 (£1,737 at 31 March 2022).

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

24. 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 2023 the balance on these accounts was £14,045,452, \$6,512 and €15,608. At 31 March 2022 the balance on these accounts was £14,538,100, \$6,504 and €15,608.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

25. 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.

2022-23 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	(27,437)			(27,437)	27,437
Revaluation losses on Property, Plant and Equipment	(845)			(845)	845
Amortisation of intangible assets	(3,276)			(3,276)	3,276
Revenue expenditure funded from Capital under Statute	0			0	0
Capital grants and contributions applied	2,409			2,409	(2,409)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(605)			(605)	605
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment (MRP)	2,020			2,020	(2,020)
Capital expenditure charged against the general fund balance	7,187			7,187	(7,187)
Voluntary provision above MRP	979			979	(979)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	2,524		(2,524)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(2,409)		2,409	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	766	(766)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		62		62	(62)
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	(352,270)			(352,270)	352,270
Employers pensions contributions and direct payments to pensioners payable in the year	113,172			113,172	(113,172)
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	2,506			2,506	(2,506)
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	234			234	(234)
TOTAL ADJUSTMENTS	(255,045)	(902)	(115)	(256,062)	256,062

2021-22 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	(15,378)			(15,378)	15,378
Revaluation losses on Property, Plant and Equipment	1,324			1,324	(1,324)
Amortisation of intangible assets	(2,344)			(2,344)	2,344
Revenue expenditure funded from Capital under Statute	0			0	0
Capital grants and contributions applied	7,765			7,765	(7,765)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(1,961)			(1,961)	1,961
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment (MRP)	2,414			2,414	(2,414)
Capital expenditure charged against the general fund balance	11,721			11,721	(11,721)
Voluntary provision above MRP	890			890	(890)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	7,876		(7,876)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(7,765)		7,765	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	2,730	(2,730)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		6,487		6,487	(6,487)
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	(362,866)			(362,866)	362,866
Employers pensions contributions and direct payments to pensioners payable in the year	110,241			110,241	(110,241)
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	2,960			2,960	(2,960)
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	2,042			2,042	(2,042)
TOTAL ADJUSTMENTS	(240,351)	3,559	(111)	(236,903)	236,903

2022-23 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	(27,437)			(27,437)	27,437
Revaluation losses on Property, Plant and Equipment	(845)			(845)	845
Amortisation of intangible assets	(3,276)			(3,276)	3,276
Revenue expenditure funded from Capital under Statute	0			0	0
Capital grants and contributions applied	2,409			2,409	(2,409)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(605)			(605)	605
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment (MRP)	2,020			2,020	(2,020)
Capital expenditure charged against the general fund balance	7,187			7,187	(7,187)
Voluntary provision above MRP	979			979	(979)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	2,524		(2,524)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(2,409)		2,409	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	766	(766)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		62		62	(62)
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	(1,702)			(1,702)	1,702
Employers pensions contributions and direct payments to pensioners payable in the year	566			566	(566)
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	2,506			2,506	(2,506)
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	62			62	(62)
TOTAL ADJUSTMENTS	(17,255)	(902)	(115)	(18,272)	18,272

2021-22 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	(15,378)			(15,378)	15,378
Revaluation losses on Property, Plant and Equipment	1,324			1,324	(1,324)
Amortisation of intangible assets	(2,344)			(2,344)	2,344
Revenue expenditure funded from Capital under Statute	0			0	0
Capital grants and contributions applied	7,765			7,765	(7,765)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(1,961)			(1,961)	1,961
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment (MRP)	2,414			2,414	(2,414)
Capital expenditure charged against the general fund balance	11,721			11,721	(11,721)
Voluntary provision above MRP	890			890	(890)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	7,876		(7,876)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(7,765)		7,765	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	2,730	(2,730)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		6,487		6,487	(6,487)
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	(1,682)			(1,682)	1,682
Employers pensions contributions and direct payments to pensioners payable in the year	486			486	(486)
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	2,960			2,960	(2,960)
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	(66)			(66)	66
TOTAL ADJUSTMENTS	8,970	3,559	(111)	12,418	(12,418)

26. 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 2022-23.

	Balance at 31 March 2021	Trf to reserves in 2021-22	Trf from reserves in 2021-22	Trf between reserves in 2021-22	Balance at 31 March 2022	Trf to reserves in 2022-23	Trf from reserves in 2022-23	Trf between reserves in 2022-23	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget reserve	(1,283)			(2,000)	(3,283)	(12,154)		(808)	(16,245)
Self-funded insurance reserve	(8,883)		8,259		(623)		623		0
Devolved Budget reserve	(7,221)	(908)	3,779	(264)	(4,614)	(1,592)	1,908		(4,298)
Uniform and protective equipment reserve	(6,629)	(763)	880	(642)	(7,155)		425		(6,730)
Major incidents	(2,000)			2,000	0				0
PoCA income reserve	(82)		82		0	(932)			(932)
Change Programme (inc Risk) reserve	(15,527)	(2,407)	3,345	642	(13,946)		150		(13,796)
Carry Forward Reserve	(12,550)	(12,755)	9,211	264	(15,830)	(13,026)	15,022	808	(13,026)
Police Property and Misuse of Drugs Act reserve	(1,222)	(793)	318		(1,697)	(388)	400		(1,685)
National Contingency reserve	(1,090)	(322)	121		(1,291)	(90)			(1,381)
Council Tax Funding Reserve	(1,164)	(1,289)			(2,452)		1,640		(812)
Earmarked Reserves	(57,650)	(19,237)	25,995	0	(50,891)	(28,182)	20,168	0	(58,905)
General Fund Reserves	(12,042)	0	0	0	(12,042)	0	0	0	(12,042)

NOTES TO THE BALANCE SHEET

27. PROPERTY, PLANT AND EQUIPMENT – MOVEMENT ON BALANCES

Movements in 2022-23

	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 2022	184,692	81,588	12,022	278,302
Additions in Year	721	9,207	(396)	9,532
Transfer between Categories	(699)		(1,644)	(2,343)
Disposals in Year	(150)	(6,728)		(6,878)
Revaluation Gains and losses in Year	7,739			7,739
Impairments in Year			(9,982)	(9,982)
Cost or valuation at 31 March 2023	192,303	84,067	0	276,370
Accumulated Depreciation at 31 March 2022	11,531	48,041	46	59,618
Depreciation Charge in Year	4,955	12,500		17,455
Transfer between Categories	46		(46)	0
Depreciation written out on Revaluation	(41)	(6,458)		(6,499)
Depreciation written out on Impairment	(4,472)			(4,472)
Disposals in Year				
Accumulated Depreciation at 31 March 2023	12,019	54,083	0	66,102
Net Book Value at 31 March 2023	180,284	29,984	0	210,268
Net Book Value at 31 March 2022	173,161	33,547	11,976	218,684

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. Interim valuations of three properties were obtained with an effective date of 31 March 2021, a further site at 31 March 2022 and another seven properties as at 31 March 2023. There was not a material movement identified at the balance sheet date for other properties since the previous valuation.

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 2021-22

	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 2021	145,995	74,727	49,877	270,599
Additions in Year	4,429	15,585	5,224	25,238
Transfer between Categories	29,849	478	(43,079)	(12,752)
Disposals in Year	(428)	(9,188)		(9,616)
Revaluation Gains and losses in Year	4,847	(14)		4,833
Impairments in Year				
Cost or valuation at 31 March 2022	184,692	81,588	12,022	278,302
Accumulated Depreciation at 31 March 2021	7,784	45,888	0	53,672
Depreciation Charge in Year	4,189	11,189		15,378
Transfer between Categories	(46)		46	0
Depreciation written out on Revaluation	(344)	(23)		(367)
Depreciation written out on Impairment				
Disposals in Year	(52)	(9,013)		(9,065)
Accumulated Depreciation at 31 March 2022	11,531	48,041	46	59,618
Net Book Value at 31 March 2022	173,161	33,547	11,976	218,684
Net Book Value at 31 March 2021	138,211	28,839	49,877	216,927

Valuations

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Total £000
Carried at Historical Cost	6,388	84,002	90,390
Valued at current value as at:			
31 March 2023	48,580	0	48,580
31 March 2022	39,905	9	39,914
31 March 2021	25,475	34	25,509
31 March 2019	0	22	22
31 December 2018	71,555	0	71,555
31 March 2018	0	0	0
1 April 2017	0	0	0
1 April 2016	0	0	0
1 April 2015	0	0	0
1 April 2014	400	0	400
Total cost or valuation	192,303	84,067	276,370

28. 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 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.

29. FUTURE CAPITAL COMMITMENTS

A contract for ongoing renewal and replacement of Body Worn Video devices had obligations of £1.4m at 31 March 2023. Vehicles ordered but not yet delivered at 31 March 2023 totalled £5.0m.

30. STATEMENT OF PHYSICAL ASSETS

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

	31 March 22	31 March 23
Operational Police Stations	10	10
Beat Offices	45	43
Police Administrative Buildings	2	2
Police Houses	3	3
Standalone Radio Aerials	2	2
Training Centres	4	4
Other Property	34	33

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

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

31. 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:

	2021-22			2022-23		
	Internally generated assets	Other assets	Total	Internally generated assets	Other assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Balance at start of year</u>						
Gross carrying amounts	3,942	15,857	19,799	16,519	14,844	31,363
Accumulated amortisation	(970)	(9,173)	(10,143)	(2,496)	(8,067)	(10,563)
Net carrying amount at start of year	2,972	6,684	9,657	14,022	6,777	20,799
<u>Additions</u>						
Internal Development	(175)	0	(175)	0	0	0
Purchases	0	910	910	0	125	125
Net Disposals in the year	0	0	0	(225)	0	(225)
Amortisation for the period	(1,527)	(817)	(2,344)	(2,210)	(1,066)	(3,276)
Transfer between categories	12,752	0	12,752	1,093	0	1,093
Net carrying amount at the end of the year	14,022	6,777	20,507	12,680	5,836	18,516
<u>Comprising:</u>						
Gross carrying amounts	16,519	14,844	31,363	17,064	12,362	29,426
Accumulated amortisation	(2,496)	(8,067)	(10,563)	(4,384)	(6,526)	(10,910)
	14,022	6,777	20,799	12,680	5,836	18,516

32. 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 2022	Long Term at 31 March 2023	Current at 31 March 2022	Current at 31 March 2023
	£'000	£'000	£'000	£'000
Financial Liabilities at amortised cost	105,833	106,976	1,667	2,655
Total Borrowings	105,833	106,976	1,667	2,655
Financial Assets held at Amortised cost	10,124	0	75,620	75,569*
Financial assets held at fair value through profit and loss	5,262	4,394	0	0
Total Investments	15,386	4,394	75,620	75,569

*This figure includes £65.4m representing investments with a maturity of less than 1 month. These are classified as cash equivalents.

Additional Financial Instruments held at amortised cost include:

	31 March 22 £'000	31 March 23 £'000
Short Term Debtors	44,362	52,686
Long Term Debtors	356	158
Short Term Creditors	(38,459)	(34,353)
Cash	(2,941)	610
Total	3,318	19,101

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 35, 38 and 41 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 2022 £'000	Fair value 2022 £'000	Carrying amount 2023 £'000	Fair value 2023 £'000
Financial Liabilities				
<i>Borrowings</i>				
Financial Liabilities (PWLB Loans)	101,975	111,737	106,065	77,744
Financial Liabilities (WMCC debt)	4,546	4,846	3,566	3,590
<i>Creditors</i>				
Other financial liabilities	41,400	41,400	34,353	34,353
Financial Assets				
<i>Investments</i>				
Long Term investments	15,386	15,395	4,394	4,394
Short term Investments	75,620	75,580	75,569	75,569
<i>Debtors</i>				
Other receivables	44,718	44,718	53,454	53,454

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)		77,744		77,744
Financial Liabilities (WMCC debt)		3,590		3,590
Total		81,334		81,334

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 2023

33. LONG TERM BORROWING

Transactions undertaken during the year were as shown below:

	31 March 22 £'000	31 March 23 £'000
Opening Balance	98,333	104,854
External Loans Raised in Year	7,500	7,000
Loans Repaid or transferred to Short Term in Year	(979)	(4,878)
Closing Balance	104,854	106,976

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

	31 March 22 £'000	31 March 23 £'000
Public Works Loan Board	101,287	104,487
W.M.C.C. Debt	3,567	2,489
Total	104,854	106,976

The fair value of the Public Works Loan Board loans is £78m 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 £104m would be valued at £92m.

The fair value of West Midlands County Council debt has been calculated as £3.6m as at 31 March 2023. 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 22 £'000	31 March 23 £'000
PWLB accrued interest	688	778
PWLB principal repayment		800
W.M.C.C principal repayment	979	1,077
	1,667	2,655

These borrowings are repayable as follows:

	31 March 22 £'000	31 March 23 £'000
Maturity within 5 years	13,234	16,344
Maturity within 6 to 10 years	0	0
Maturity within 11 to 15 years	0	0
Maturity in 15 or more years	93,287	93,287
Total	106,521	109,631

34. 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 22 £'000	31 March 23 £'000
Short Term Investments at amortised cost	75,620	75,569*
Long Term Investments at amortised cost	10,124	0
Long Term Investments at Fair Value	5,262	4,394
Total	91,006	79,963

*Included with this figure is the amount of £65.4m (£45.6m in 2021-22) representing investments with a maturity of less than 1 month. These investments are classified as cash equivalents. (See note 39). The fair value of these investments has been calculated as £80.0m as at 31 March 2023 (£91.0m at 31 March 2022); 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.

35. 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 22 £'000	31 March 23 £'000
NPAS	356	158
Total	356	158

36. 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.

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 33.

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 2022	Actual 31 March 2023
	%	%	£'000	£'000
Under 12 months	25	0	3,000	800
12 months and within 24 months	25	0	800	2,200
24 months and within 5 years	50	0	4,200	9,000
5 years and within 10 years	75	0	0	0
10 years and above	100	25	93,287	93,287
Total			101,287	105,287

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 2023 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.

37. INVENTORIES

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

	Vehicle parts and fuel		Uniforms and Protective Equipment		Total	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01 April	277	247	513	591	790	838
Purchases/Donations	1,275	1,308	178	62	1,453	1,370
Recognised as an expense in year	(1,305)	(1,245)	(100)	(205)	(1,405)	(1,450)
Balance as at 31 March	247	309	591	449	838	758

The donated inventories account balance was £337k at 31 March 2023 and this relates to PPE provided by Central Government following COVID-19.

38. SHORT TERM DEBTORS

	31 March 2022	31 March 2023
	£'000	£'000
Central Government Bodies	37,764	60,991
Other Local Authorities and PCCs	5,930	7,637
NHS Bodies	162	41
Public Corporations and Trading Funds	0	25
Other entities and individuals	46,487	49,277
Total	90,343	117,971

A proportion of short term debtors are recognised as financial instruments. These have been disclosed in note 32.

Non-contractual debtors past due but not impaired

	Collection Fund 31 March 2022	Collection Fund 31 March 2023
	£'000	£'000
Less than one year	6,535	8,496
One to two years	3,545	3,859
Two to six years	4,548	5,176
Over six years	1,309	1,590
Total	15,937	19,121

These debtors are net of the impairment allowance for doubtful debts provided by the regional Local Authorities for the Collection Fund (£17.0m for 2022-23, £14.2m for 2021-22).

39. CASH AND CASH EQUIVALENTS

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

	31 March 2022	31 March 2023
	£'000	£'000
Cash held by the PCCWM	340	340
Bank Current Accounts	(3,281)	270
Short term deposits with financial institutions	45,598	65,445
Total	42,657	66,055

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 32.

40. ASSETS HELD FOR SALE

	Non-Current	
	2021-22 £'000	2022-23 £'000
Balance outstanding at start of year	2,430	1,020
<i>Assets newly qualified as held for sale:</i>		
Property, plant and equipment	0	1,250
Revaluation losses	0	0
Revaluation gains	0	0
<i>Assets declassified as held for sale:</i>		
Property, plant and equipment	0	0
Assets sold	(1,410)	0
Total	1,020	2,270

41. SHORT TERM CREDITORS

	31 March 2022 £'000	31 March 2023 £'000
Central Government Bodies	14,219	18,002
Other Local Authorities and PCCs	18,489	19,738
NHS Bodies	150	91
Public Corporations and Academies	7	0
Other entities and individuals	44,216	39,049
Total	77,081	76,880

A proportion of short term creditor balances are disclosed as financial instruments. These are disclosed in note 32.

42. USABLE RESERVES

Movements in the Group's usable reserves are detailed in the Movement in Reserves Statement and Note 25.

43. UNUSABLE RESERVES

	31 March 2022 £'000	31 March 2023 £'000
Revaluation Reserve	(31,219)	(43,037)
Capital Adjustment Account	(128,675)	(110,407)
Pensions Reserve	8,722,024	5,886,329
Deferred Capital Receipts reserve	(356)	(158)
Collection Fund Adjustment Account	(156)	(2,662)
Pooled Investment Funds Adjustment Account	(228)	634
Accumulated Absences Account	9,233	8,999
Total	8,570,623	5,739,696

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.

	2021-22 £'000	2022-23 £'000
Balance at 1 April	(29,754)	(31,219)
Upward revaluation of assets	(3,876)	(14,291)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	0	1,235
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(3,876)	(13,056)
Difference between fair value depreciation and historical cost depreciation	1,193	1,205
Accumulated gains on assets sold or scrapped	1,218	33
Amount written off to the Capital Adjustment Account	2,411	1,238
Balance as at 31 March	(31,219)	(43,037)

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.

	2021-22 £'000	2022-23 £'000
Balance at 1 April	(115,345)	(128,675)
<i>Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	14,185	26,232
Revaluation losses on Property, Plant and Equipment	(1,324)	845
Amortisation of intangible assets	2,344	3,276
Revenue Expenditure funded from Capital under Statute	0	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	743	572
	15,948	30,925
Adjusting amounts written out	0	0
Net written out amount of the cost of non-current assets consumed in the year	15,948	30,925
<i>Capital financing applied in year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(6,487)	(62)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(7,765)	(2,409)
Application of grants to capital financing from the Capital Grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund balance	(2,414)	(2,020)
Voluntary Provision for the repayment of debt	(890)	(979)
Capital expenditure charged against the General Fund balance	(11,721)	(7,187)
Balance as at 31 March	(128,675)	(110,407)

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 2022 £'000	31 March 2023 £'000
Balance at 1 April	8,577,154	8,722,024
Re-measurements of the net defined benefit liability or asset	(107,755)	(3,074,793)
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	362,866	352,270
Employers' pensions contributions and direct payments to pensioners payable in the year	(110,241)	(113,172)
Balance as at 31 March	8,722,024	5,886,329

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 2022 £'000	31 March 2023 £'000
Balance at 1 April	2,804	(156)
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	(2,960)	(2,506)
Balance at 31 March	(156)	(2,662)

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 2025.

	31 March 2022 £'000	31 March 2023 £'000
Balance at 1 April	552	(228)
Amount by which fair value of investment has moved in year.	(781)	862
Balance at 31 March	(228)	634

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.

Following the impact of the COVID-19 pandemic it was agreed that all staff would automatically carry forward up to 10 days of untaken annual leave from 2020-21 into 2021-22 which resulted in an increase in this balance at 31 March 2021. This policy exception was reassessed looking at the impact of the Commonwealth Games on leave opportunities and was repeated for 2022-23 and 2023-24 so up to 10 days of untaken annual leave was again carried forward automatically.

	2021-22 £'000	2022-23 £'000
Balance at 1 April	11,275	9,233
Settlement or cancellation of accrual made at the end of the previous year	0	0
Amounts accrued at the end of the current year	11,275	9,233
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	(2,042)	(234)
Balance at 31 March	9,233	8,999

NOTES TO THE CASH FLOW STATEMENT

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

	Year ended 31 March 22	Year ended 31 March 23
	£'000	£'000
Decrease/ (Increase) in cash	(747)	(23,398)
Cash outflow from increase in liquid resources	(4,718)	30,890
Financing	6,520	2,123
Change in net debt resulting from cashflows	1,055	9,614
Net Debt as at 1 April 2021	(15,733)	(16,788)
Net Debt as at 31 March 2022	(16,788)	(26,402)

45. MOVEMENT IN CASH AND CASH EQUIVALENTS

	Balance at 31 March 22	Movement in the Year	Balance at 31 March 23
	£'000	£'000	£'000
Cash held by the PCC	340	0	340
Bank Current Accounts	(3,281)	3,551	270
Short term deposits with financial institutions	45,598	19,847	65,445
	42,657	23,398	66,055

Cash equivalents are short term deposits and investments held for less than 1 month.

JOINT OPERATIONS

46. CENTRAL MOTORWAY POLICE GROUP

The PCCWM is engaged in a joint operation with 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 2022-23 are as follows:

2021-22 £'000		2022-23 £'000
	Funding provided to the pooled budget	
(5,083)	Contribution from West Midlands Police	(5,121)
(2,379)	Contribution from Staffordshire Police	(2,468)
(7,462)	Total funding provided to the pooled Budget	(7,589)
	Expenditure met from the pooled budget	
6,688	Pay and allowances	6,882
441	Transport costs	461
333	Supplies and Services	246
7,462	Total expenditure	7,589
	Income received to the Pooled budget	
0	Miscellaneous Income	0
0	External funding	0
0	Total income received	0
7,462	Total Net Expenditure	7,589
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 2022-23 the final contribution paid by the PCCWM was £5.31m.

47. 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:

WMROCU 2021-22 £'000		WMROCU 2022-23 £000	PCCWM split* 2022-23 £000
	Funding provided to WMROCU		
(14,500)	Contribution from West Midlands Police	(16,284)	(16,284)
(3,970)	Contribution from West Mercia Police	(4,683)	
(3,857)	Contribution from Staffordshire Police	(4,549)	
(1,928)	Contribution from Warwickshire Police	(2,274)	
(2,399)	WMROCU Grant	(2,399)	(1,367)
(365)	National Cyber Security Programme funding	(280)	(160)
(224)	Asset Confiscation Enforcement grant (ACE)	(238)	(136)
(1,156)	ROCU Reserves	(26)	(15)
(1,096)	UCOL Funding	(1,096)	(625)
(122)	ROCTA Funding	(122)	(70)
(155)	Disruption Team Funding	(72)	(41)
(250)	Dark Web Funding	(250)	(143)
(67)	OSPY Income	(129)	(74)
	Fraud Investigation	(164)	(93)
	Illicit Cash Team	(442)	(252)
(30,089)	Total funding	(33,008)	(19,258)
	WMROCU expenditure		
1,172	Regional Asset Recovery Team (RART)	1,415	1,267
237	RART – ACE team	244	244
827	Regional Cyber Crime Unit	696	512
389	Regional Fraud Team	292	229
1,211	Regional Prisons Intelligence Unit	1,301	819
71	Operational Security (OPSY)	91	91
62	Regional Government Agency Intelligence Network (GAIN)	45	45
1,400	Command Team	1,417	1,065
5,660	Regional Confidential Unit	6,596	4,997
93	Posts created from underspend	275	228
841	TIDU – Technical Intelligence	781	678
312	Enabling Services	417	417
4,780	SOCU	5,791	3,220
7,710	Regional Surveillance Unit (FSU)	8,421	5,451
194	Threat Assessment Team (ROCTA)	283	148
160	Disruption Team	72	72
259	Dark Web	262	262
	Illicit Cash Team	442	302
3,808	Other Regional Operations	4,167	3,823
902	Additional Contribution to Reserves	0	0
	Contribution to Collaboration	0	(4,612)
30,089	Total expenditure	33,008	19,258
0	Total Net Expenditure	0	0

* PCCWM split is 57% of income and expenditure, however, as lead force, PCCWM has contributed to some teams outside the collaboration split of costs

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.

2021-22 £'000	Police Pension Fund Account	2022-23 £'000	£'000
	Fund Account		
	Contributions receivable:		
	From employer:		
(79,460)	Normal	(81,582)	
(2,291)	Ill Health Capital Sum	(2,539)	
(20)	AV contributions	(23)	
(81,771)		(84,144)	
(34,388)	From members	(35,711)	
(34,388)		(35,711)	
(698)	Transfers in	(1,529)	
(698)		(1,529)	
(116,856)	Total income into the Pension Fund		(121,384)
	Benefits payable:		
168,331	Pensions	176,686	
32,415	Lump sums	36,484	
247	Lump sum death benefits	547	
60	Benefits payable to other regional forces re earlier reorganisations	47	
201,053		213,764	
	Payments to and on account of leavers:		
401	Refunds of contributions	693	
170	Individual transfers out to other schemes	315	
0	Other	0	
571		1,008	
201,624	Total payments from the pension fund		214,772
84,768	Net amount payable for the year		93,388
(84,768)	Additional contribution received from the Home Office		(93,388)
0			0

Net Assets Statement

Net current assets and liabilities	2021-22	2022-23
	£'000	£'000
Current assets	0	0
Current liabilities	0	0
Total	0	0

Notes to the Police Pension Fund Account

1. The police pension fund account has been prepared in accordance with the Police Pension Regulations 2007 and the accounting policies detailed on page 91 of this Statement of Accounts.
2. The police pension fund is administered by the Chief Constable.
3. All benefits payable during 2022-23 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2023 are not included. These liabilities are recognised within the Comprehensive Income and Expenditure Statement and Note 25 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 2022-23 the contribution rates were as follows: -

Employers Contribution – 31.0% for the 2015 Police pension scheme

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

Employee Contribution - 12.44% for 2015 police pension scheme

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

Employee Contribution – 13.44% for 2015 police pension scheme

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

Employee Contribution – 13.78% for 2015 police pension scheme

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Group and PCC's transactions for the 2022-23 financial year and its position at the year end of 31 March 2023. 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 2022-23 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 2022-23. 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 2022-23. 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 2022-23 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 and Personal protective equipment.

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. All insurance claims will be included in the balance sheet as provisions where it meets the criteria set out above.

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.

I. 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 2022-23 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.

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

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 arm’s 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.

MEDIUM TERM FINANCIAL PLAN (MTFP) – A document looking to pull together one place all known factors affecting the financial position and financial sustainability of an organisation over the medium term. The MTFP balances the financial implications of objectives and policies against constraints in resources and provides the basis for decision making.

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