

**Police and Crime  
Commissioner for the West  
Midlands:  
Consolidated Statement of  
Accounts  
  
2015-16**

# STATEMENT OF ACCOUNTS 2015-16

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## **NARRATIVE STATEMENT**

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

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

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

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

The population of the West Midlands is diverse. At approximately 18%, the percentage of the population that are black and minority ethnic is significantly above the national average. Approximately 10% of the population were born outside of the UK. The average earnings and house prices for the region are lower than the national average.

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

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

Local policing is delivered through ten local policing units (LPUs). Other than Birmingham, which because of its size has four LPUs, the other six LPUs are coterminous with local authority boundaries. Each LPU is headed by a Chief Superintendent. The work of the local LPUs 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 40 police and crime commissioners in England and Wales covering the 41 forces outside of London. The governance of the Metropolitan Police Service is a duty of the Mayor of London and the City of London Corporation governs the City of London Police. In Greater Manchester there is an interim Mayor until the mayoral elections in 2017. The interim Mayor is combining this role with that of Police and Crime Commissioner. Together with the Home Secretary and chief police officers, the Commissioner and Chief Constable are responsible for the management of policing in England and Wales.

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

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

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

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

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

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

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

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

## **Role of Chief Constable**

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

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

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

The Chief Constable has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*, a copy is on our website at [www.west-midlands.police.uk](http://www.west-midlands.police.uk) or can be obtained by contacting us, details at [www.west-midlands.police.uk/contact-us/index.aspx](http://www.west-midlands.police.uk/contact-us/index.aspx) This statement explains how the Chief Constable has complied with the code and also meets the requirements of Accounts and Audit Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The Chief Constable of the West Midlands is supported by a Deputy Chief Constable, four Assistant Chief Constables and a Director of Resources.

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

## The Statement of Accounts

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

The primary function of the office of Chief Constable of West Midlands Police is the exercise of operational policing duties under the Police Act 1996. The role of the Office for the Police and Crime Commissioner is to hold the Chief Constable to account for the exercise of these duties thereby securing the maintenance of an efficient and effective police force in the West Midlands. A separate set of statutory accounts have been published for the Chief Constable to recognise all the financial transactions incurred during 2015/16 for policing the West Midlands area.

The Statement of Accounts for the PCCWM group consists of:

### 1. Police and Crime Commissioners Approval

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

### 2. Annual Governance Statement

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

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

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

### 4. Auditors report

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

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

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

- **Comprehensive Income and Expenditure Statement for the Group and Police and Crime Commissioner for the West Midlands**– These statements shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local Authorities and PCCs raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting

cost. The taxation position is shown in the Movement in Reserves Statement. The statement shows the net cost for the year of the functions for which the PCCWM is responsible and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. The statement includes other recognised gains and losses of the PCCWM during the year showing the total comprehensive income and expenditure of the PCCWM.

- **Movement in Reserves Statement for the Group and Police and Crime Commissioner for the West Midlands** – These statements shows the movement in the year of the different reserves held by the PCC analysed into useable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the PCCWM services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the PCCWM.
- **Balance Sheet for the Group and Police and Crime Commissioner for the West Midlands** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCCWM and the Group. The net assets of the PCC (assets less liabilities) are matched by the reserves held by the PCC. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. (For example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.
- **Cash Flow Statement for the Group and Police and Crime Commissioner for the West Midlands** – The Cash Flow Statement shows the changes in cash and cash equivalents of the PCCWM during the reporting period. The statement shows how the PCCWM generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCCWM are funded by way of taxation and grant income or from the recipients of services provided by the PCCWM. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCCWM’s future service delivery. Cash flows from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the PCCWM
- **Police Pension Fund and notes to the Police Pension Fund scheme.**

The Police Pension Fund Account contains the contributions from the CCWMP at a rate of 21.3% of police officers’ pay which are used to pay police pensions during the year. Any surplus or deficit on this account at the end of the year is paid to, or claimed from the Comprehensive Income and Expenditure Statement of the Chief Constable within Financing and Investment Income and Expenditure.

## **REVENUE OUTTURN 2015-16**

The overall revenue outturn position for the Group is an underspend of £14.7m against the original budget of £541.3m. This represents 2.7% of the total budget. This is broadly in line with outturn forecasts made during the financial year.

The revenue outturn position for the Police Force is an underspend at the end of the financial year of £7.3m or just 1.4% of the Force level budget. This occurred largely as a result of a number of one-off in year savings the majority of which are related to projects within the WMP 2020 change programme.

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

The following paragraphs detail the Group's expenditure in 2015-16 and how this differed from the budget.

### **Pay related expenditure**

In total, pay related expenditure was underspent by £0.5m against the budget with Police pay overspending by £0.6m, PCSO and staff pay budgets being underspent by £2.9m and other employee expenses overspending by £1.8m. The outturn on the pay budgets reflects the position that has been reported throughout the year and all areas are in line with budget. The underspend now shown on Police staff pay is the result of a provision being used to cover the remaining equal pay claims which had not been forecast. The overspend on other employee expenses arises from redundancy costs as we go through the change programme and is offset by the associated savings made within Police Staff pay.

### **Premises related expenditure**

Within premises related expenditure the underspend which is shown arises from a number of one off in year savings being achieved from changes in contracted suppliers and stock condition works (£0.7m), carbon credits which were paid in advance in 2014/15 (£0.4m), rates rebates and rent reviews (£0.5m), electricity savings from a change to the way electricity bills are determined (£0.4m), utility savings from mild weather (£0.3m) and a reduction in external consultant fees due to the Change Programme. The remaining savings are from reduced spending in year on improvements and alterations due to the change programme work being undertaken.

### **Transport related expenditure**

Within transport related expenditure the £1.4m underspend is mainly due to the fact the budget has assumed fuel prices would increase during the year when in reality they have fallen significantly resulting in £1.1m of the underspend, however, the fuel prices are now increasing again. The remaining underspend within the transport area was predominately from a reduction in the use of external vehicle hire and transport expenses across the Force being less than budget.



## **Supplies and Services related expenditure**

Expenditure on supplies and services was £0.3m over budget. This was due to a number of minor overspends across several business areas. Overall expenditure on supplies and services has been very well controlled.

## **Agency expenditure**

The £0.9m overspend shown on Agency fees and expenses is due to Home Office ICT charges. For an extended period there was some confusion within the Home Office of the charges that were to be made and some of the additional charges paid for in year relate to previous years that the Force was only made aware of this year. A considerable amount of work has been done with contacts within the Home Office to ensure this position is rectified for 16/17 and the budgets will be set to allow for the known charges.

## **Capital Financing**

The capital financing costs underspend of £0.6m has been achieved because investments have performed better than the prudent budget estimations meaning that the Group has realised more interest.

## **External Income**

External income was £3.1m greater than budget due to a number of factors including Speed Awareness, Prosecution Costs, Liquidated Damages and Legal Recharges. Some of these items are one off, whilst others are projected to exceed the current budget.

## **Office of the Police and Crime Commissioner**

The OPCC has an underspend of £0.7m in 2015-16. The main cause of this underspend is the re-planning of projects into 2016-17.

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

<b>Actual 2014-15 £m</b>	<b>Revenue Expenditure</b>	<b>Budget 2015-16 £m</b>	<b>Actual 2015-16 £m</b>	<b>Variation + (-) £m</b>
472.9	Employee costs	463.4	462.9	(0.5)
20.7	Premises costs	18.7	15.7	(3.0)
7.2	Transport costs	8.0	6.6	(1.4)
42.3	Supplies and Services	37.4	37.7	0.3
6.1	Agency costs	5.1	6.0	0.9
3.4	Capital Financing	3.8	3.2	(0.6)
(33.2)	Income	(25.4)	(28.5)	(3.1)
2.6	CTU	2.6	2.6	0
<b>522.0</b>	<b>Police Force</b>	<b>513.6</b>	<b>506.3</b>	<b>(7.3)</b>
5.8	Innovation Partner spine costs	5.2	5.2	0
10.0	RCCO/Innovation partner reserve	10.1	5.6	(4.5)
0	Risk provision	2.2	0	(2.2)
<b>537.8</b>	<b>Police Force including change programme</b>	<b>531.1</b>	517.1	(14.0)
1.7	Office for Police and Crime Commissioner	2.7	2.0	(0.7)
7.0	CSF Grant Expenditure	7.0	7.0	0
0	Invest to save	0.5	0.5	0
<b>8.7</b>	<b>Office of the Police and Crime Commissioner</b>	<b>10.2</b>	9.5	(0.7)
<b>546.5</b>	<b>Police Force, change programme and PCC</b>	<b>541.3</b>	526.6	(14.7)
<b>546.5</b>	<b>Net Cost General Police Services</b>	<b>541.3</b>	<b>526.6</b>	<b>(14.7)</b>
4.4	Earmarked carry forwards	0	8.7	8.7
(7.3)	Net Contribution to Reserves	(17.7)	(11.7)	6.0
<b>543.6</b>	<b>Net Budget Requirement</b>	<b>523.6</b>	<b>523.6</b>	<b>0</b>
	Statutory Accounting Adjustments:			
262.1	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance		208.9	
<b>805.7</b>	<b>Net Operating Expenditure (CIES)</b>		<b>732.5</b>	

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

	2015-16 Original Budget £m	2015-16 Outturn £m	Difference £m
Net Operating Expenditure	541.3	526.6	(14.7)
Contribution to Budget Reserves	(17.7)	(11.7)	6.0
Earmarked carry forwards	0	8.7	8.7
<b>Net Budget Requirement</b>	<b>523.6</b>	<b>523.6</b>	<b>0</b>

The table below shows how the Net Budget Requirement of £523.6m is funded from Government Grants and Council Tax.

	2015-16 Outturn £m
Council Tax Payer	71.0
Police Revenue Grant	252.3
Council Tax Support Funding	19.0
Non-Domestic Rates	181.3
<b>Net Budget Requirement</b>	<b>523.6</b>

The table below is an extract from the Comprehensive Income and Expenditure Statement. This table shows how the group's expenditure is split by different forms of policing.

2014-15 gross expenditure £'000 restated	2014-15 gross income £'000 restated	2014-15 net expenditure £'000 restated	GROUP	Notes	2015-16 gross expenditure £'000	2015-16 gross income £'000	2015-16 net expenditure £'000
264,437	(2,883)	261,554	Local Policing		251,801	(2,628)	249,173
48,742	0	48,742	Dealing with the Public		44,640	0	44,640
38,233	(3,605)	34,628	Criminal Justice Arrangements		38,981	(3,525)	35,456
22,128	(5,378)	16,750	Roads Policing		20,200	(4,993)	15,207
34,850	(7,367)	27,483	Specialist Operations		34,387	(6,143)	28,244
43,463	(2,415)	41,048	Intelligence		41,797	(2,187)	39,610
145,303	(4,089)	141,214	Investigation		133,511	(3,533)	129,979
13,973	(8)	13,965	Investigative Support		13,891	(34)	13,856
48,463	(37,294)	11,169	National Policing		46,110	(35,114)	10,997
586	0	586	Non Distributed Costs	35	1,520	0	1,520
3,724	(1,760)	1,964	Corporate and Democratic Core		5,849	(3,084)	2,765
<b>663,902</b>	<b>(64,799)</b>	<b>599,103</b>	<b>Police Services Total</b>		<b>632,688</b>	<b>(61,241)</b>	<b>571,447</b>
4,185	0	4,185	Levies to National Police Service		4,746	0	4,746
1,960	(1,960)	0	Seconded Officers		1,875	(1,875)	0
<b>670,047</b>	<b>(66,759)</b>	<b>603,288</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>639,309</b>	<b>(63,116)</b>	<b>576,193</b>

## How we have performed in 2015-16

The table below shows some key crime statistics for West Midlands Police for the year ended 31 March 2016 compared to the same time in the previous year.

	2014-15	2015-16	% change
Total recorded Crime	176,339	185,396	5.2
Business Crime	38,444	38,103	(0.8)
Burglary	11,419	11,960	4.8
Robbery	4,833	4,911	0.6

Whilst total recorded crime is higher in 2015-16 than in the previous year, West Midlands Police has the lowest total recorded crime compared to other national police forces of a similar size and complexity.

In addition, there are some real areas of success within these overall numbers. Total crime on public transport was down by 6%. Passenger satisfaction was up from 78% in 2014 to 80% this year for bus passengers and from 76% in 2014 to 82% this year for train passengers.

Independent assessors ask a cross section of the communities of the West Midlands how they feel about their local police force. In the most recent survey 84% of people agree that they have confidence in the police in their area. This compares well with 82% of people having confidence in the police in their area in 2010 at the start of a period of austerity which has seen West Midlands Police lose over 20% of its budget and over 3,000 police officers and staff.

## Performance rated by PEEL assessment

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

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

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

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

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

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

## EARMARKED AND GENERAL RESERVES

Earmarked Reserves amount to £116m, and the General Reserve has been maintained at £12m to adequately cover the risk of major incidents.

As at 31st March 2016 the Budget Reserves balance was £30.1m (£38.4m in 2014-15). The revised budget planned for the use of £17.7m from this reserve. Due to some of the in-year savings made against the budget this contribution has reduced to £8.2m. This means that the reserves are still available to utilise across the remaining change programme.

The self-funded insurance reserve has a balance of £9.7m. This reserve is used to fund liabilities relating to staff, the public, the PCC's buildings and the PCC's vehicles and equipment over and above the excess amounts on the PCC's insurance policies.

Reserves analysed in greater detail:

	<b>General Fund Balance £m</b>	<b>Earmarked Reserves £m</b>
Opening Balance 01-April 2015	12.0	141.7
Movement in year	0	25.7
Closing Balance 31-March 2016	12.0	116.0

Some of the earmarked reserves such as the capital reserve and the budget reserve will be used over the next 4 years to support the transformational change programme. The budget reserve contains £30.1m to support the transformational change projects – some of which are detailed at the end of this report.

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

Overall capital expenditure for the year was planned to total £43.4m in the capital programme. Expenditure on new police buildings was £11.8m against a budget of £12.5m to complete the construction of new custody blocks at Oldbury and Perry Barr. Expenditure on improvements to existing police buildings includes work to upgrade the police headquarters in central Birmingham and improvements to Bloxwich Police Station which are both progressing according to plan with costs of £20.4m against budgeted costs of £18m). The PCC/Group has £35.6m of Capital Reserves in Unapplied Capital Grants, Unapplied Capital Receipts and Earmarked Capital Reserves to meet future capital expenditure plans and other financial commitments.

The PCC/Group has taken ownership of £3.0m of new vehicles per a vehicle replacement programme where new vehicles have been specified to reduce on-going maintenance costs and improve fuel efficiency.

Capital expenditure on ICT was budgeted as £8.5m of which £5.8m was budgeted for transformation projects. Actual expenditure was £3.4m as most of the ICT projects remained in a research phase in 2015-16. It is expected that the capital expenditure will now be incurred in 2016-17 as these projects move into an implementation phase where such expenditure can be capitalised.

The capital programme for 2015-16 is summarised in the table below

2014-15 Outturn £'000		2015-16 Programme £'000	2015-16 Outturn £'000
Property Plant and Equipment comprising:			
18,855	New Police Buildings	12,456	11,843
5,080	Improvements and Adaptations	17,950	20,443
3,558	Vehicles	4,230	4,406
5,766	IT including. Intangible software	8,544	3,427
880	Other	200	392
<b>34,138</b>	<b>TOTAL</b>	<b>43,380</b>	<b>40,511</b>
<b>FINANCING OF EXPENDITURE</b>			
23,767	Capital Grants	9,401	9,878
0	Capital Receipts	13,155	9,048
0	Capital Reserves	20,824	21,424
10,371	Direct Revenue Financing	0	161
<b>34,138</b>	<b>TOTAL</b>	<b>43,380</b>	<b>40,511</b>

## PROVISIONS AND CONTINGENT LIABILITIES

In 2014-15 provisions were recognised in the Statement of Accounts for equal pay claims (£1.4m) and the enhancement of annual leave payments to take into account overtime and certain regular allowances (£0.65m). This resulted in £2.05m of provisions being recognised in the Group Balance Sheet.

In 2015-16 it has been determined that the provision for equal pay claims is no longer required as the vast majority or primary and secondary claims relating to equal pay have now been settled and are recognised in the accounting statements within police staff pay costs.

The provision for enhanced annual leave payments taking into account overtime and certain regular allowances have also been reversed as payment to all affected officers relating to 2015-16 was made in May 2016 and recognised as a cost in the 2015-16 accounting statements. All future payments are expected to be made in May each year and will relate to overtime worked in the previous financial year.

A new provision has been recognised in 2015-16 for a portion of the costs of the core team provided by the forces innovation partner – Accenture. The value of this provision is £0.19m. This is part of the contractual arrangement between the PCC and Accenture in relation to the provision of services to the PCC.

The total value of provisions will be £0.19m in 2015-16. (£2.05m in 2014-15). This is recognised in the Group Balance Sheet.

The contingent liability recognised in the 2015-16 accounts relates to A19 Police Officer retirements which were recognised last year. The position relating to the on-going employment tribunal case regarding the legality of Police Officer retirements under the A19 Police Regulations (where officers argued that the application of A19 was carried out in a way which was discriminatory to their age) has been clarified by the Head of Legal Services. The case was put before the courts in 2014 with 5 police forces being represented together. The courts found in favour of the officers in this case but West Midlands Police appealed this decision because the forces legal advisors have indicated that the basis of the judge's decision was flawed.

As a result of this, 21 cases of unfair dismissal were brought against the PCC and were heard in March 2015. The judgement released on 2<sup>nd</sup> June 2015 found in favour of West Midlands Police. This position has been appealed by the representatives of the officers and the case has now been 'stayed' (put on hold) until January 2017. Therefore, it is not possible to determine with any certainty if (a) a liability exists (until the appeal is heard in 2017) and (b) a value for the future liability on this case in the event that the appeal is successful as any damages would need to be determined following the outcome of the case and may be dependent on the complexity and individual circumstances for each Police Officers claim.

The Chief Constable of West Midlands Police along with other Chief Constables and the Home Office, currently has 256 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

Contingent liabilities raised in the 2014-15 accounts relating to a ruling about the commutation factors used to determine firefighters pensions (known as GAD vs Milne) was substantially resolved in 2015-16. Payments of £18m were made to most affected officers in December 2015 and re-imburement was received from the Home Office in February 2016 of £18.8m. The £0.8m difference represents a small number of payments that remain outstanding at the balance sheet date. This amount is presented in the pension disclosures starting on page 92 as it represents part of the overall liability to pay police pensions.

## **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 £261m into net liabilities of £5,709m.

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

	2014-15 £'000	2015-16 £'000
Police Officers	6,680,800	5,742,807
Police Staff	247,571	225,278
PCC staff	2,104	2,138
<b>Total</b>	<b>6,930,475</b>	<b>5,970,223</b>

The actuarial gains on pension funds in 2015-16 totalled £1,151.1m and compared to actuarial losses of £701.5m in 2014-15. This has resulted in a reduction in the overall pension's liability. The actuarial gains in 2015-16 are due to an increase in the discount rate at which pensions are paid from 3.30% to 3.55% (for police pensions) and a reduction in short term salary increases from 4.2% to 1% per year – which decreases the liability for active members by around 10%. When compounded over the duration of a typical pension payment the effect of these changes is substantial. It should be noted however that actuarial gains and losses do change each year as can be seen from the defined benefit pension scheme notes starting on page 93 of the Statement of Accounts.

However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy because:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- The Police Officer pension scheme is a statutory scheme as specified by police regulations, whereby the Group pays an employer's contribution of 24.2% of pensionable pay for all serving police officers into the Police Pension Fund Account. In practice, the PCC receives back contributions at a rate of 21.3% from the Government and the PCC is required to fund the remaining 2.9% difference. If there are insufficient funds in the Pension Fund Account to meet expenditure commitments in any particular year, the Home Office will fund the deficit. In practice, therefore the significant liability of £5.97bn 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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (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. The standards introduced in the 2016/17 Code that are relevant to the requirements are:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual improvements to IFRSs 2010-2012 Cycle which includes



IFRS 3 Business Combinations  
IFRS 8 Operating Segments  
IFRS 13 Fair Value Measurement (relating to short-term receivables and payables)  
IAS 16 Property, Plant and Equipment  
IAS 24 Related Party Disclosures, and;  
IAS 38 Intangible Assets

- Amendments to IFRS 11 Joint Arrangements (accounting for acquisitions of interests in Joint Operations)
- Annual improvements to IFRSs (2012-2014 cycle) which includes:  
IFRS 7: Financial Instruments disclosures relating to servicing contracts
- Changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Pension Fund Account and the Net Assets Statement

These changes are detailed more comprehensively in note 1 of the accounts on page 52.

## **BORROWING**

The PCCWM's borrowing totals £56m (£59m in 2014-15). There has been no new borrowing during the financial year and all short term borrowing has been repaid. Details of borrowing are shown in Note 13.

## **CASH FLOWS**

The group's cash flows in 2015-16 showed that cash from operating activities produced a net deficit of £37.6m but this was offset by a surplus in investing activities of £29.3m resulting in a net decrease in cash and cash equivalents of £8.7m. (£22.4m increase in cash and cash equivalents in 2014-15). This is shown in the Cash Flow statement on page 49. Cash flows have been forecast for 2016-17 supported by information from a variety of sources and the cash position for the Group remains strong.

## **FUTURE OUTLOOK**

Since 2010 the West Midlands faced a challenge of managing one of the largest reductions in Government funding for any Police area in the country and maintaining and improving the services needed by local people and businesses. The PCC and the Chief Constable are continuing on an ambitious and leading edge Transformation programme, in partnership with Accenture, which is planned to improve services within much reduced resource levels. The Comprehensive Spending Review in 2015 has resulted in police funding being essentially cash flat up until 2020 and is reliant on a council tax precept increase of £5 per annum on average. This will still require the PCC and the Chief Constable to achieve efficiencies to operate within the resources available.

By 2020, the Transformation programme aims to deliver:

- Increased citizen confidence, participation and satisfaction
- Improved productivity, efficiency, agility and service levels

- Reduced demand using opportunities to prevent crime
- Improved workforce experience
- Increase in professional standards
- Improvements in evidence handling
- A more mobile workforce able to respond at pace

The force is currently working on 5 main workstreams and a series of stand alone projects that will help shape the first 2 years of the change programme. These will lay the foundations for the future ensuring the force has the in house capabilities to turn it into a more digitally able and mobile force by 2020. Two examples of the programmes we are undertaking and how we want to engage more with the public and want to revolutionise our online channels to help the public are our active citizens project and our mobility project.

#### Active Citizens:

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

#### Part of this work includes:

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

#### Digital Revolution:

We need to modernise how we engage with the public to match their expectations. Communities are becoming more diverse and more likely to want to contact us digitally so we must transform the way we listen and involve the public in policing.

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

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

## **FUTURE FUNDING LEVELS**

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

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

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

## **EVENTS AFTER THE REPORTING PERIOD**

On 26<sup>th</sup> April 2016 the jury in the Hillsborough inquiry found that the 96 victims of the Hillsborough disaster were unlawfully killed. A class action has been brought against both South Yorkshire and West Midlands Police by the families of the Hillsborough victims. At this stage West Midlands Police has not received any particulars of claim from the legal representatives of the victims' families. At present it is very difficult to estimate the financial impact that these claims will have until the particulars of claims have been received.

On 1 June 2016 the Senior Coroner for Birmingham and Solihull decided to resume the inquest into the Birmingham pub bombings. The inquest is expected to commence in the next accounting period and the costs of legal representation for the Force are expected to be around £1m although the scope of the inquest is yet to be determined.

# **Police and Crime Commissioner West Midlands** **Annual Governance Statement**

Position as at 31<sup>st</sup> March 2016 including plans for the financial year 2016/17

## **1. Scope of Responsibilities**

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

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

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

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

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

- Focusing on the purpose of the Police and Crime Commissioner and on outcomes for the community including citizens, service users and victims of crime and creating and implementing a vision for the local area.

- Working together to achieve a common purpose with clearly defined functions and roles.
- Promoting the values of the Police and Crime Commissioner and demonstrating the values of good governance through behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability to be effective and ensuring that personnel – including the statutory officers - also have the capability and capacity to deliver effectively.
- Engaging with local people and other stakeholders to ensure robust local public accountability.

### 3. The Governance Framework

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

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

The Commissioner has adopted a number of systems and processes which comprise the Commissioner's current governance arrangements, the key elements of which are detailed below:

- The West Midlands Police and Crime Plan sets out the Commissioner's objectives for policing and community safety, the policing to be provided, the financial and other resources that will be available, how performance will be measured, what grants will be made and how the Chief Constable will be held to account.
- Translating the Commissioner's objectives into delivery plans.
- Measuring the quality of services, to ensure they are delivered in accordance with the Commissioner's objectives and represent the best use of resources and value for money.
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication, in respect of the Commissioner and partnership arrangements.
- Ensuring effective arrangements are in place for the discharge of the head of paid service and monitoring officer functions.
- Ensuring the Commissioner's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2012).
- Ensuring compliance with the Commissioner statutory responsibilities, including:-
  - Setting the budget and precept
  - Issuing a Police and Crime Plan
  - Publication of an Annual Report
  - Publication of specified information
  - Duties to consult with victims of crime, the population as a whole and ratepayers
  - Safeguarding of children and promotion of child welfare
  - Having regard to the Strategic Policing Requirement
  - Duties relating to equality and diversity
- Procedure rules, polices and internal management processes are established for Financial Management, Procurement, Health and Safety, Confidential Reporting ("Whistleblowing"), Complaints Handling, Anti-Fraud, Bribery and Corruption and Records Management, including security of information and information sharing.

- Codes of conduct, defining the standards of behaviour for the Commissioner, Assistant Police and Crime Commissioners, Members of the Strategic Policing and Crime Board, Statutory Officers and Staff.
- The Joint Scheme of Corporate Governance sets out in detail the respective roles and functions of the Commissioner and Chief Constable, outlining all significant decisions which are consented or delegated and which are of a statutory, financial or management nature.
- A Decision Making Policy is in place which establishes the approach and principles of decision-making. All decisions made by the Commissioner are recorded and published on line for transparency.
- A Joint Audit Committee (with the Chief Constable) is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment, the independent scrutiny of the Chief Constable's and OPCC 's financial performance to the extent that it affects the Chief Constable and OPCC's exposure to risk and weakens the control environment. The Joint Audit Committee has appointed an independent Chair, as identified by the Home Office's Code of Practice for Financial Management and CIPFA's Audit Committee – Practical Guidance for Local Authorities. An independent member has also been appointed to the Joint Audit Committee.
- The OPCC 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 with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why they deliver the same impact.
- An External Audit function reports to "those charged with governance" in respect of the Annual Accounts.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Developing good governance arrangements in respect of partnership and other joint working arrangements.

#### 4. Review of Effectiveness

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

The review of effectiveness is informed by the work of the executive managers within the Commissioner's Office, who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's Annual report, and also by comments made by the External auditors and other review agencies and inspectorates.

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

- The Commissioner

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

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

- The Joint Audit Committee

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

- Advise the Commissioner and the Chief Constable according to good governance principles.
- Provide independent assurance on the adequacy and effectiveness of the Commissioner's and Chief Constable's internal control environment and risk management framework.
- Oversee the effectiveness of the framework in place for ensuring compliance with statutory requirements and in particular those in respect of health and safety and equalities and diversity.
- Independently scrutinise financial and non-financial performance to the extent that it affects the Commissioner's and Chief Constable's exposure to risks and weakens the internal control environment.
- Oversee the financial reporting process.
- The make-up and membership of the Committee will be clarified following the May 2016 PCC elections.

The Terms of Reference of the Committee, at <http://www.westmidlands-pcc.gov.uk/transparency/joint-audit-committee> encompasses and reflects these duties by defining that they:

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

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

- Internal Audit

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

The standards of Internal Audit are assessed against the Public Sector Internal Audit Standards and the results of this will be presented to the Joint Audit Committee in 2016/17. A continuous Internal Audit of the Commissioner's business arrangements was undertaken and reported upon.

## 5. Significant Governance Issues

With effect from 1 April 2014 the Commissioner and the Chief Constable are now separate corporations sole with specific statutory responsibilities. The further development and embedding of governance arrangements and working relationships continue to be a priority. Developed by a Joint Governance Board, a Scheme of Governance has been implemented, setting out the respective responsibilities and working arrangements between the Commissioner and Chief Constable. Work will continue during 2016/17 to ensure the governance arrangements are fit for purpose and meet the nature of the organisation.

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

Following the PCC elections in May 2016 a new Strategic Police and Crime Board has been appointed. In the early part of the 2016/17 financial year new members to the Board will be inducted to ensure they can undertake their role effectively.

Responsibility for the employment of Police Staff previously employed by the Commissioner but under the direction and control of the Chief Constable, transferred to the employment of the Chief Constable with effect from 1 April 2014, at which time a revised staffing structure for the Commissioner's office was also introduced.

The Commissioner undertook a review of the Office of the Police and Crime Commissioner. The revised structure has provided improved governance arrangements for the Commissioner.

An Innovation and Improvement Partner (IIP) that was appointed in 2014 works with the Chief Constable and the Commissioner to design and deliver a change programme, known as WMP 2020, to address the service delivery and financial challenges over the medium term. A Target Operating Model (TOM) has been developed that reflects how the police force will operate. This will inevitably result in changes to some existing governance arrangements, and pose new challenges for the Commissioner in holding the Chief Constable to account. To manage the WMP2020 programme governance arrangements have been put in place to make sure the Commissioner has effective oversight of the project. This includes members of OPCC staff and the Strategic Police and Crime Board actively participating in project boards. As the change programme moves into the delivery stage the Board and the staff of OPCC will continue to participate in the project boards alongside senior managers within West Midlands Police to ensure projects are delivered as expected including timescales and benefits.

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

The scale of change facing the Commissioner remains extremely challenging, at a time when the demand and need for sustained and improved service to the public continues to increase.

During 2016/17 work will be undertaken to deliver against the Police and Crime Plan while developing a new Plan. This will secure and maintain efficient and effective policing services across the West Midlands.

Alongside other changes the Commissioner is directly responsible for increased direct and indirect commissioning of services. Organisations commissioned to deliver services will continue to be held to account for the delivery of these projects through regular project monitoring and scrutiny undertaken by staff within the OPCC

These changes will continue to require firm leadership, careful management, innovation and robust scrutiny. We will continue to monitor and update plans, policies and risk documentation as more information becomes available, confident that our overall governance arrangements are sufficiently robust and resilient to meet the demands and challenges resulting from these changes.

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

- The likely forthcoming duty to cooperate across police, fire and ambulance services, including the potential to create a single employer between fire and police and PCCs taking on the functions of fire and rescue authorities.
- Changes to the Commissioner's oversight role of police complaints including the option for PCCs to take on the responsibility for the front end of the complaints systems.
- The continued development of the West Midlands Combined Authority.



- 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.

Signed

A handwritten signature in black ink that reads "David Jamieson". The signature is written in a cursive style with a large initial 'D'.

David Jamieson  
Police and Crime Commissioner West Midlands

A handwritten signature in black ink that reads "Jonathan Jardine". The signature is written in a cursive style with a large initial 'J'.

Jonathan Jardine  
Head of Paid Staff Police and Crime Commissioner's Office West Midlands.

A handwritten signature in black ink that reads "Mark Kenyon". The signature is written in a cursive style with a large initial 'M'.

Mark Kenyon  
Chief Finance Officer Police and Crime Commissioner's Office West Midlands

# STATEMENT OF ACCOUNTING POLICIES

## General Principles

The Statement of Accounts summarises the Group's transactions for the 2015-16 financial year and its position at the year end of 31 March 2016. 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 2015-16 and the Service Reporting Code of Practice 2015-16 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.

## 1. Property, Plant and Equipment

### Recognition

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

Assets made up of a number of components with significantly different economic lives have been reviewed to identify if these components should be treated as separate assets and depreciated over their own useful economic lives per the requirements of the CIPFA code of practice on Local Authority Accounting in the United Kingdom 2015-16. 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 2015-16. This approach will be reviewed each year but is not expected to apply to buildings as replacement items are generally purchased from revenue budgets.

Items of capital expenditure with values below £5,000 will be classed as de-minimis and although initially recorded in asset registers will be written out of asset registers in the year that expenditure is incurred.

### Measurement

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

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

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

Property assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year-end, but as a minimum every five years. Revaluation gains will be recognised in the Revaluation Reserve unless they reverse a previous Revaluation loss. All Revaluation losses on re-valued assets will be recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset. Thereafter revaluation losses will be recognised in the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement. No distinction will be made between losses due to the clear consumption of economic benefit and those due to a general fall in prices specific to the asset.

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

### **Impairment**

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

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

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

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

### **Valuation**

Freehold, leasehold and residential properties which the Group includes in its property portfolio were valued in 2014 by Gerald Eve (Chartered Surveyors) in accordance with the statements of asset valuation practice and guidance notes of the Royal Institution of Chartered Surveyors. Property and the associated land will be revalued at intervals no greater than five years. Buildings are written down over their useful lives as provided at valuation. Revalued assets have been valued at current value based on Existing Use Value in accordance with International Financial Reporting Standards.

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

Depreciation is provided for on all Property Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives with the exception of freehold land and assets under construction. Depreciation is calculated on a straight line allocation over the useful life of the property or equipment.

## **2. Intangible Assets**

### **Recognition**

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Group's business or which arise from contractual or other legal rights where expenditure of at least £5,000 is incurred. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to the Group and where the cost of the asset can be measured reliably.

#### *Internally generated intangible assets*

Internally generated goodwill, brands, publishing titles, mastheads and similar items are not capitalised as intangible assets. Expenditure on development 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;
- How 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.

### **3. 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.

### **4. Intra-group funding arrangements and cost recognition**

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

### **5. 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.

### **6. 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 and associated future liabilities are disclosed in the notes. 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 2015-16 the PCC has not recognised any finance leases. However a review takes place each year to determine if any finance leases exist.

## **7. Debtors and Creditors**

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

The outstanding debt owing to the PCCWM is analysed each year. This analysis has highlighted that there is a very low risk of non-payment of debts. Therefore, the PCC does not have a bad debt provision. However it does recognise a proportion of Billing Authority impairment allowance for bad debts for non-payment of council tax in its Balance Sheet. The overall position regarding collection fund balances is shown in the collection fund adjustment account.

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

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

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

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

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

## **9. 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.

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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.

## 10. Provisions

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

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

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

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

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

## 11. 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.

## 12. Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for

interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

### **13. Financial Assets**

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

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

Loans and receivables are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount of loans presented in the Balance Sheet is the outstanding principal receivable plus accrued interest receivable. The interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

### **14. 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.

## **15. Employee Benefits**

### **Benefits payable during employment**

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

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

### **Termination Benefits**

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

### **Post-employment benefits**

The Police Pensions Scheme is unfunded and therefore net pension payments are charged against the year in which they are made, rather than being provided for by means of a pension fund. All receipts and payments relating to the 1987, 2006 and 2015 Police Pensions Regulations are

generally receivable into and payable out of the pensions fund and specific provision is made for officers' contributions and inward transfer values to be paid into the fund and for awards payable and outward transfer values to be paid out of the fund. Transfers into and out of the fund are recognised as income to (or expenditure from) the Police Pension fund account in the year in which the transfer occurs.

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

- a. The rate of contribution in 2015-16 was 11.4% on average.
- b. The liabilities of the scheme attributable to the Group are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- c. Liabilities are discounted to their value at current prices, using a discount rate of 6% (based on the indicative rate of return on AA rated corporate bonds of appropriate duration).
- d. The assets of the fund attributable to the Group are included in the Balance Sheet at their fair value:
  - i. Quoted securities – current bid price
  - ii. Unquoted securities – professional estimate
  - iii. Unitised securities – current bid price
  - iv. Property – market value
- e. The change in the net pensions liability is analysed into the following components:
  - i. *Current service cost* –the increase in liabilities as a result of years of service earned this year
  - ii. *Past service cost* – the increase in liabilities as a result of a scheme curtailment or amendment whose effect relates to years of service earned in earlier years – this is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - iii. *Net interest on the net defined benefit liability (asset)* – net interest expenses for the Group – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
  - iv. *Gains or losses on settlements and curtailments* – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - v. *Re-measurements* – this comprises of (1) the return on plan assets excluding the amount included in net interest on the net defined pension liability (asset)

charged to the Pension Reserve as Other Comprehensive Income and Expenditure and (2) actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- vi. *Contributions paid to the pension fund* - cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

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

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

## 16. Interest

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

## 17. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015-16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the status of the Group as a democratic organisation.
- Non Distributed Costs – which includes the cost of discretionary benefits awarded to employees retiring early and revaluation or impairment losses (and their reversals where appropriate) for assets under construction and surplus assets held for disposal.

These two cost categories are defined in SeRCOP and accounted for within the cost of Police Services in the Comprehensive Income and Expenditure Statement but are not charged to SeRCOP service headings.

## 18. 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.

## 19. Cash and Cash Equivalents

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

## 20. Revenue Recognition

The following statements show how the Group recognises revenue in the accounts:

When selling goods the Group will recognise revenue when the following conditions have been satisfied:

- (a) The Group has transferred the significant risks and rewards of ownership of the goods to the purchaser
- (b) The Group retains neither continuing managerial involvement or effective control over the goods sold
- (c) The amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Group
- (d) The costs of the transaction can be measured reliably

When rendering services the Group will recognise revenue when the following conditions have been satisfied:

- (a) The amount can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Group.
- (b) The stage of completion of the transaction can be reliably measured
- (c) The cost incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

## **21. 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.

## **22. 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.

## **23. Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group
- Revenue from the provision of services is recognised when the Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for retrospectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

## **24. 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.

## **25. Joint Operations**

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

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

## 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 2016.

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 2016 and its income and expenditure for the year then ended.



Mark Kenyon CPFA  
Chief Finance Officer to the Police and Crime Commissioner  
Date: 30 September 2016

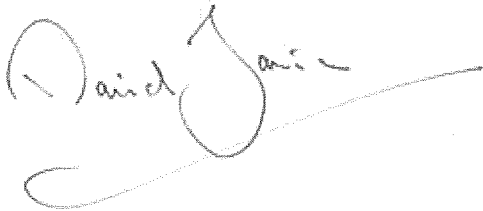
### THE RESPONSIBILITIES OF THE POLICE AND CRIME COMMISSIONER FOR THE WEST MIDLANDS

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 presented to the Audit Committee, at a meeting on 30 June 2016 have been certified by the responsible financial officer and approved by the Police and Crime Commissioner for the West Midlands on 30 September 2016, in accordance with regulation 9 of the Accounts and Audit Regulations 2015.

A handwritten signature in black ink that reads "David Jamieson". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

David Jamieson  
Police and Crime Commissioner for the West Midlands  
Date: 30 September 2016



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

We have audited the financial statements of the Police and Crime Commissioner for the West Midlands (the "Police and Crime Commissioner") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and PCC Movement in Reserves Statements 2015/16, the Group and PCC Comprehensive Income and Expenditure Statements 2015/16, the Group and PCC Balance Sheet 2015/16, the Group and PCC Cash Flow Statement 2015/16, the Statement of Accounting Policies and the related notes and include the Police Pension Fund financial statements of West Midlands Police comprising the Police Pension Fund Account, the Net Assets Statement, the related notes 1 to 6 and the Appendix: Recognition of pensions' deficit payment impacting on the value of the pensions' reserve. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer to the Police and Crime Commissioner and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer to the PCC is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Police and Crime Commissioner and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- present a true and fair view of the financial position of the Police and Crime Commissioner and Group as at 31 March 2016 and of the Police and Crime Commissioner's and Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

## **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Statement and the Annual Governance Statement is consistent with the Group audited financial statements.

## **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

## **Conclusion on the Police and Crime Commissioner's arrangements to secure value for money through economic, efficient and effective use of its resources**

### **Respective responsibilities of the Police and Crime Commissioner and auditor**

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Scope of the review of the Police and Crime Commissioner's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Police and Crime Commissioner has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Police and Crime Commissioner has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Police and Crime Commissioner for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Police and Crime Commissioner's arrangements for securing value for money through economic, efficient and effective use of its resources.

*Paul Grady*

Paul Grady  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

30 September 2016

## GROUP MOVEMENT IN RESERVES STATEMENT 2015-16

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

	Revenue		Capital		Total Reserves		
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2014</b>	<b>(12,042)</b>	<b>(144,676)</b>	<b>(20,647)</b>	<b>(17,905)</b>	<b>(195,270)</b>	<b>5,907,409</b>	<b>5,712,139</b>
<b>Movements in Reserves during 2014/15</b>							
(Surplus) or deficit on the provision of services	254,354	0	0	0	254,354	0	254,354
Other Comprehensive Income and Expenditure	0	0	0	0	0	694,193	694,193
<b>Total Comprehensive Income and Expenditure (per the CIES)</b>	<b>254,354</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>254,354</b>	<b>694,193</b>	<b>948,547</b>
Adjustments between accounting and funding basis under regulations	(251,411)	0	(1,890)	14,827	(238,474)	238,474	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>2,943</b>	<b>0</b>	<b>(1,890)</b>	<b>14,827</b>	<b>15,880</b>	<b>932,668</b>	<b>948,547</b>
Transfer to/from Earmarked Reserves	(2,943)	2,943	0	0	0	0	0
Increase/Decrease during the year	0	2,943	(1,890)	14,827	15,880	932,668	948,547
<b>Balance as at 31 March 2015 carried forward</b>	<b>(12,042)</b>	<b>(141,733)</b>	<b>(22,537)</b>	<b>(3,079)</b>	<b>(179,390)</b>	<b>6,840,077</b>	<b>6,660,685</b>
<b>Movements in Reserves during 2015/16</b>							
(Surplus) or deficit on the provision of services	200,630	0	0	0	200,630	0	200,630
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,152,164)	(1,152,164)
<b>Total Comprehensive Income and Expenditure</b>	<b>200,630</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>200,630</b>	<b>(1,152,164)</b>	<b>(951,534)</b>
Adjustments between accounting and funding basis under regulations	(196,274)	0	8,662	2,364	(185,248)	185,248	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>4,356</b>	<b>0</b>	<b>8,662</b>	<b>2,364</b>	<b>15,382</b>	<b>(966,916)</b>	<b>(951,534)</b>
Transfer to/from Earmarked Reserves	(4,356)	25,780	0	0	21,424	(21,424)	0
Increase/Decrease during the year	0	25,780	8,662	2,364	36,806	(988,340)	(951,534)
<b>Balance as at 31 March 2016 carried forward</b>	<b>(12,042)</b>	<b>(115,953)</b>	<b>(13,875)</b>	<b>(715)</b>	<b>(142,584)</b>	<b>5,851,736</b>	<b>5,709,151</b>

The adjustments between accounting and funding basis under regulations are shown in detail in note 5.

The balances carried forward for usable and unusable reserves are shown on the lower half of the Balance Sheet on page 48.

## PCC MOVEMENT IN RESERVES STATEMENT 2015-16

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 Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total PCC Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2014</b>	<b>(12,042)</b>	<b>(144,676)</b>	<b>(20,647)</b>	<b>(17,905)</b>	<b>(195,270)</b>	<b>(58,309)</b>	<b>(253,579)</b>
<b>Movements in Reserves during 2014/15</b>							
(Surplus) or deficit on the provision of services	(10,634)	0	0	0	(10,634)	0	(10,634)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(6,697)	(6,697)
<b>Total Comprehensive Income and Expenditure (per the CIES)</b>	<b>(10,634)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,634)</b>	<b>(6,697)</b>	<b>(17,331)</b>
Adjustments between accounting and funding basis under regulations	13,577	0	(1,890)	14,827	26,514	(26,514)	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>2,943</b>	<b>0</b>	<b>(1,890)</b>	<b>14,827</b>	<b>15,880</b>	<b>(33,211)</b>	<b>(17,331)</b>
Transfer to/from Earmarked Reserves	(2,943)	2,943	0	0	0	0	0
Increase/Decrease during the year	0	2,943	(1,890)	14,827	15,880	(33,211)	(17,331)
<b>Balance as at 31 March 2015 carried forward</b>	<b>(12,042)</b>	<b>(141,733)</b>	<b>(22,537)</b>	<b>(3,079)</b>	<b>(179,390)</b>	<b>(91,519)</b>	<b>(270,910)</b>
<b>Movements in Reserves during 2015/16</b>							
(Surplus) or deficit on the provision of services	10,023	0	0	0	10,023	0	10,023
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,302)	(1,302)
<b>Total Comprehensive Income and Expenditure</b>	<b>10,023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,023</b>	<b>(1,302)</b>	<b>8,721</b>
Adjustments between accounting and funding basis under regulations	(111)	0	8,662	2,364	10,915	(10,915)	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>9,912</b>	<b>0</b>	<b>8,662</b>	<b>2,364</b>	<b>20,938</b>	<b>(12,217)</b>	<b>8,721</b>
Transfer to/from Earmarked Reserves	(4,356)	25,780	0	0	21,424	(21,424)	0
Increase/Decrease during the year	5,556	25,780	8,662	2,364	42,362	(33,641)	8,721
<b>Balance as at 31 March 2016 carried forward</b>	<b>(6,486)</b>	<b>(115,953)</b>	<b>(13,875)</b>	<b>(715)</b>	<b>(137,028)</b>	<b>(125,160)</b>	<b>(262,189)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2015-16 - 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 by the objective headings specified in the Service Reporting Code of Practice (SeRCOP) and demonstrates how that cost has been financed from general Government Grants and income from local taxpayers. The statement now 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 24 to the Accounts.

2014-15 gross expenditure £'000 restated	2014-15 gross income £'000 restated	2014-15 net expenditure £'000 restated	GROUP	Notes	2015-16 gross expenditure £'000	2015-16 gross income £'000	2015-16 net expenditure £'000
264,437	(2,883)	261,554	Local Policing		251,801	(2,628)	249,173
48,742	0	48,742	Dealing with the Public		44,640	0	44,640
38,233	(3,605)	34,628	Criminal Justice Arrangements		38,981	(3,525)	35,456
22,128	(5,378)	16,750	Roads Policing		20,200	(4,993)	15,207
34,850	(7,367)	27,483	Specialist Operations		34,387	(6,143)	28,244
43,463	(2,415)	41,048	Intelligence		41,797	(2,187)	39,610
145,303	(4,089)	141,214	Investigation		133,511	(3,533)	129,979
13,973	(8)	13,965	Investigative Support		13,891	(34)	13,856
48,463	(37,294)	11,169	National Policing		46,110	(35,114)	10,997
586	0	586	Non Distributed Costs	35	1,520	0	1,520
3,724	(1,760)	1,964	Corporate and Democratic Core		5,849	(3,084)	2,765
<b>663,902</b>	<b>(64,799)</b>	<b>599,103</b>	<b>Police Services Total</b>		<b>632,688</b>	<b>(61,241)</b>	<b>571,447</b>
4,185	0	4,185	Levies to National Police Service		4,746	0	4,746
1,960	(1,960)	0	Seconded Officers		1,875	(1,875)	0
<b>670,047</b>	<b>(66,759)</b>	<b>603,288</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>639,309</b>	<b>(63,116)</b>	<b>576,193</b>
138	0	138	Net (gain)/loss on disposal		0	(32)	(32)
3,011	0	3,011	Interest Payable and Similar Charges		2,867	0	2,867
0	(1,471)	(1,471)	Interest and Investment Income		0	(1,296)	(1,296)
262,558	0	262,558	Pension Net Interest Cost	35	228,418	0	228,418
0	(61,830)	(61,830)	Pensions Top Up Grant Receivable		0	(73,662)	(73,662)
<b>935,754</b>	<b>(130,060)</b>	<b>805,694</b>	<b>NET OPERATING EXPENDITURE</b>		<b>870,594</b>	<b>(138,106)</b>	<b>732,488</b>
0	(85,478)	(85,478)	Council Tax Payer		0	(90,771)	(90,771)
0	(268,708)	(268,708)	Police Grant		0	(252,263)	(252,263)
0	(188,212)	(188,212)	Non-Domestic Rates		0	(181,310)	(181,310)
0	(8,941)	(8,941)	Non-Specific Government Grants		0	(7,514)	(7,514)
<b>935,754</b>	<b>(681,399)</b>	<b>254,355</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>870,594</b>	<b>(669,964)</b>	<b>200,630</b>
		<b>(7,267)</b>	(Surplus)/Deficit on the revaluation of fixed assets				<b>(1,041)</b>
		<b>701,460</b>	Re-measurement of the net defined benefit liability				<b>(1,151,123)</b>
		<b>694,193</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(1,152,164)</b>
		<b>948,548</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(951,534)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2015-16 – PCC (SINGLE ENTITY)

2014-15 gross expenditure £'000	2014-15 gross income £'000	2014-15 net expenditure £'000	PCC	Notes	2015-16 gross expenditure £'000	2015-16 gross income £'000	2015-16 net expenditure £'000
28,017	(246)	27,771	Local Policing		27,391	(409)	26,982
4,233	0	4,233	Dealing with the Public		3,768	0	3,768
3,323	(307)	3,016	Criminal Justice Arrangements		3,709	(291)	3,417
1,921	(458)	1,463	Roads Policing		1,969	(1,304)	665
3,027	(628)	2,399	Specialist Operations		2,945	(418)	2,527
3,845	(206)	3,639	Intelligence		3,668	(149)	3,519
12,620	(1,661)	10,959	Investigation		11,519	(1,242)	10,277
1,213	(8)	1,205	Investigative Support		1,155	(35)	1,121
4,019	(3,178)	841	National Policing		3,602	(2,391)	1,210
0	0	0	Non Distributed Costs	35	393	0	393
3,724	(1,760)	1,964	Corporate and Democratic Core		5,849	(3,084)	2,765
<b>65,942</b>	<b>(8,452)</b>	<b>57,490</b>	<b>Total Cost of Services</b>		<b>65,968</b>	<b>(9,324)</b>	<b>56,644</b>
4,185	0	4,185	Levies to National Police Service		4,746	0	4,746
0	0	0	Seconded Officers		0	0	0
58,307	(58,307)	0	Funding receivable (paid to Chief Constable)		53,792	(53,792)	0
<b>477,289</b>		<b>477,289</b>	<b>PCC funding to the CC for financial resources consumed</b>		<b>478,882</b>		<b>478,882</b>
<b>605,723</b>	<b>(66,759)</b>	<b>538,964</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>603,388</b>	<b>(63,116)</b>	<b>540,272</b>
138	0	138	Net (gain)/loss on disposal		0	(32)	(32)
3,011	0	3,011	Interest Payable and Similar Charges		2,867	0	2,867
0	(1,471)	(1,471)	Interest and Investment Income		0	(1,296)	(1,296)
64	0	64	Pension Interest Cost and expected return on assets		70	0	70
61,830	(61,830)	0	Pensions Top Up Grant Receivable (paid to CC)		73,662	(73,662)	0
<b>670,766</b>	<b>(130,060)</b>	<b>540,706</b>	<b>NET OPERATING EXPENDITURE</b>		<b>679,987</b>	<b>(138,106)</b>	<b>541,881</b>
0	(85,478)	(85,478)	Council Tax Payer		0	(90,771)	(90,771)
0	(268,708)	(268,708)	Police Grant		0	(252,263)	(252,263)
0	(188,212)	(188,212)	Non-Domestic Rates		0	(181,310)	(181,310)
0	(8,941)	(8,941)	Non-Specific Government Grants		0	(7,514)	(7,514)
<b>670,766</b>	<b>(681,399)</b>	<b>(10,634)</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>679,987</b>	<b>(669,964)</b>	<b>10,023</b>
		<b>(7,267)</b>	(Surplus)/Deficit on the revaluation of fixed assets				<b>(1,041)</b>
		<b>570</b>	Re-measurement of the net defined benefit liability				<b>(260)</b>
		<b>(6,697)</b>	<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(1,301)</b>
		<b>(17,331)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>8,721</b>

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

## GROUP AND PCC BALANCE SHEET 2015-16

	Notes	PCC as at 31 March 2015 £'000	Group as at 31 March 2015 £'000	PCC as at 31 March 2016 £'000	Group as at 31 March 2016 £'000
<b>Operational Assets:</b>					
Land and Buildings	7	82,706	82,706	94,732	94,732
Vehicles, Plant, Furniture and Equipment	7	13,602	13,602	14,380	14,380
<b>Non Operational Assets: Assets Under Construction</b>		38,186	38,186	56,905	56,905
<b>Heritage Assets</b>	8	186	186	186	186
<b>Intangible Assets: (Software)</b>	11	3,881	3,881	2,650	2,650
		<b>138,561</b>	<b>138,561</b>	<b>168,853</b>	<b>168,853</b>
Long-term Investments	14	23,106	23,106	17,069	17,069
Long-term Debtors	15	1,309	1,309	1,309	1,309
<b>Long-Term Assets</b>		<b>162,976</b>	<b>162,976</b>	<b>187,230</b>	<b>187,230</b>
Short term investments	14	117,968	117,968	75,192	75,192
Inventory	17	919	919	846	846
Short Term Debtors	18	35,144	35,144	49,059	49,059
Assets held for sale (< 1 year)	20	0	0	711	711
Cash and Cash equivalents	19	63,836	63,836	54,518	54,518
<b>Current Assets</b>		<b>217,867</b>	<b>217,867</b>	<b>180,326</b>	<b>180,326</b>
Short-term borrowing		(3,021)	(3,021)	(966)	(966)
Bank Overdraft	19	(1,359)	(1,359)	(762)	(762)
Short-term Creditors	21	(45,421)	(45,421)	(45,890)	(45,890)
Accumulated Absences Creditor	23	0	(3,225)	0	(3,255)
Provisions	37	(2,050)	(2,050)	(187)	(187)
<b>Current Liabilities</b>		<b>(51,851)</b>	<b>(55,076)</b>	<b>(47,805)</b>	<b>(51,059)</b>
Capital Long-Term Borrowing	13	(55,978)	(55,978)	(55,425)	(55,425)
Pensions Liability		(2,104)	(6,930,474)	(2,138)	(5,970,223)
Long-Term Liabilities		<b>(58,082)</b>	<b>(6,986,452)</b>	<b>(57,563)</b>	<b>(6,025,648)</b>
<b>Net Assets:</b>		<b>270,909</b>	<b>(6,660,685)</b>	<b>262,189</b>	<b>(5,709,151)</b>
<b>Usable Reserves:</b>					
Usable Capital Receipts Reserve	5	(22,537)	(22,537)	(13,875)	(13,875)
Other Earmarked Reserves	6	(93,278)	(93,278)	(75,706)	(75,706)
General Fund Reserves	6	(12,042)	(12,042)	(6,487)	(12,042)
Budget Reserve	6	(38,357)	(38,357)	(30,150)	(30,150)
Redundancy and Equal Pay Reserve	6	(10,097)	(10,097)	(10,097)	(10,097)
Capital Grants Unapplied	5	(3,079)	(3,079)	(715)	(715)
<b>Unusable Reserves:</b>					
Capital Adjustment Account	23	(73,584)	(73,584)	(106,275)	(106,275)
Revaluation Reserve	23	(17,388)	(17,388)	(17,679)	(17,679)
Pensions Reserve	35	2,104	6,930,474	2,138	5,975,779
Deferred Capital Receipts	15	(1,309)	(1,309)	(1,309)	(1,309)
Collection Fund Adjustment Account	23	(1,341)	(1,341)	(2,034)	(2,034)
Accumulated Compensated Absences Account	23	0	3,225		3,255
<b>Total Reserves:</b>		<b>(270,909)</b>	<b>6,660,685</b>	<b>(262,189)</b>	<b>5,709,151</b>

The Balance Sheet above shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCCWM. The net assets of the PCCWM (assets less liabilities) are matched by the reserves held by the PCCWM. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the PCCWM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations. There is a difference between the pensions liability and pensions reserve in the 2015-16 accounts of £5.56m. This is due to the nature of a payment made to the Local Government



pension Scheme on 01 April 2015 for £11.149m. The payment was for the deficit in the pension scheme payable for 2015-16 and 2016-17. The Code does not permit the PCC to recognise the portion of this payment as an accrued expense in 2016-17 and as a result the payment was credited to the pensions reserve in full in 2015-16 and then the 2016-17 portion was debited out of the pension reserve and is recognised through the Movement in Reserves statement. This has formed part of the contribution from the PCC to the CC seen in the CIES in 2015-16 and as a result the General Fund reserve is split between the two bodies to show the amount that the CC is holding to balance the liability and reserve in 2016-17. The transactions that support this disclosure are presented as an appendix to the accounts.

## GROUP AND PCC CASHFLOW STATEMENT 2015-16

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

As at 31 March 2015		Note	As at 31 March 2016	
£'000	£'000		£'000	£'000
<u>Operating Activities</u>				
EXPENDITURE				
492,625			490,411	
94,858			105,868	
3,011			2,867	
<b>590,495</b>			<b>599,146</b>	
CASH OUTFLOWS GENERATED FROM OPERATING ACTIVITIES				
INCOME				
(85,478)			(90,771)	
(188,212)			(181,310)	
(316,396)			(294,854)	
(433)			(407)	
(1,471)			(1,296)	
(29,431)			7,057	
<b>(621,421)</b>			<b>(561,581)</b>	
CASH INFLOWS GENERATED FROM OPERATING ACTIVITIES				
	<b>(30,926)</b>	<b>43</b>		<b>37,565</b>
<b>Net cash flows from operating activities</b>				
<u>Investing activities</u>				
EXPENDITURE				
31,083			10,859	
(9,071)			(6,037)	
<b>22,012</b>			<b>4,822</b>	
CASH OUTFLOWS GENERATED FROM INVESTING ACTIVITIES				
INCOME				
(1,890)			8,662	
(11,790)			(42,776)	
<b>(13,049)</b>			<b>(34,114)</b>	
CASH INFLOWS GENERATED FROM INVESTING ACTIVITIES				
	<b>8,963</b>			<b>(29,292)</b>
<b>Net cash flows from investing activities</b>				
<u>Financing activities</u>				
	(450)			448
	<b>(450)</b>			<b>448</b>
<b>Net cash flows from financing activities</b>				
	<b>(22,413)</b>	44		<b>8,721</b>
	<b>40,064</b>	45		<b>62,477</b>
	<b>62,477</b>	45		<b>53,756</b>
Net (increase)/decrease in cash and cash equivalents				
Cash and cash equivalents at the beginning of the reporting period				
Cash and cash equivalents at the end of the reporting period				

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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 2015-16 (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. The standards introduced in the 2016/17 Code that are relevant to the requirements are:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual improvements to IFRSs 2010-2012 Cycle which includes  
IFRS 3 Business Combinations  
IFRS 8 Operating Segments  
IFRS 13 Fair Value Measurement (relating to short-term receivables and payables)  
IAS 16 Property, Plant and Equipment  
IAS 24 Related Party Disclosures, and;  
IAS 38 Intangible Assets
- Amendments to IFRS 11 Joint Arrangements (accounting for acquisitions of interests in Joint Operations)
- Annual improvements to IFRSs (2012-2014 cycle) which includes:  
IFRS 7: Financial Instruments disclosures relating to servicing contracts
- Changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Pension Fund Account and the Net Assets Statement

### IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)

The amendment to IAS 19 clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to period of service. In addition, it permits that if the amount of the contributions is independent of the years of service, contributions can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The standard will apply retrospectively from 01 April 2016 so there would be a requirement to produce prior year restatements if this alternative method was chosen.

### IFRS 3 Business Combinations:

The annual improvement to IFRSs 2010-2012 cycle made an amendment to IFRS 3 Business Combinations which has amended the 2016-17 Code in relation to contingent consideration of an acquirer in a business combination so that where another section of the code deals with a specific type of provision, contingent asset or contingent liability, the PCC should apply that section of the Code instead of section 8.2.1.3. This change in accounting standard is not expected to have any impact of the accounts of the PCC or Group.

### **IFRS 8 Operating Segments:**

The objective of this amendment requires entities to disclose those factors that are used to identify the PCC's reportable segments when operating segments have been aggregated. Information on reportable segments is shown within the notes to the accounts. This should not result in any changes to the accounts because the service analysis in the Comprehensive Income and Expenditure Statement and segmental; analysis within the new funding analysis will satisfy this requirement.

### **IFRS 13 Fair Value Measurement:**

The objective of this amendment is to clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoiced amount without discounting if the effect of not discounting is not material. This change is not expected to have any impact on the group accounts in 2016-17.

### **IAS 16 Property, Plant and Equipment**

Paragraph 4.1.2.33 of the 2015-16 Code included the option of proportionately restating any accumulated depreciation and impairment at the date of valuation. This amendment clarifies the treatment as it is in the International Accounting Standards Board's view that the restatement of the accumulated depreciation is not always proportionate to the change in the gross carrying amount. The amendment sets out that the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

This standard is not expected to have any impact on the accounts of the PCC in 2015-16 as it relates principally to Highways network Assets.

### **IAS 24 Related Party Disclosures**

This amendment clarifies that a management entity that supplies key management services to a reporting entity is deemed to be a related party of the reporting entity. Additional disclosures are required of the amounts incurred by the reporting entity for the provision of such services provided by a separate management entity. Any amendments to the accounts as a result of this amendment will be shown disclosed in the related party transactions note in the accounts.

### **IAS 38 Intangible Assets**

This is a similar change to the Property, Plant and Equipment change and clarifies that when an intangible asset is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. However this relates to intangible assets that are carried at fair value which is not the case with the intangible assets of the group.

### **IFRS 11 Joint Arrangements**

Accounting for acquisitions of interests in joint operations (Amendments to IFRS 11) amends IFRS 11 such that the acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3 is required to apply the principles of business combinations accounting in IFRS 3 and other IFRSs with the exception of those principle which

conflict with the guidance of IFRS 11. The amendments apply to the acquisition of an interest in an existing joint operation and also to the acquisition of an interest in a joint operation on its formation. This amendment applies prospectively from 1 April 2016. This amendment is not expected to result in any amendments to the group accounts as the group does not have an interest in a joint operation in which the activity of the operation constitutes a business.

## **IFRS 7 Financial Instruments**

This amendment clarifies whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in paragraphs 42E to 42H of IFRS 7 which relates to the disclosures for the continuing involvement in a transferred asset. This will not result in any changes to the group accounts as the group do not hold any financial instruments as servicing contracts.

## **Amendments to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis**

The changes to the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of an Expenditure and Funding Analysis represent a substantial change in financial reporting.

This will require the PCC to report on the same basis that they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement (CIES). As a result the CIES will show the gross expenditure, gross income and net expenditure of operations analysed by service. These services will not be presented in SeRCOP categories but on the basis of the organisational structure under which the PCC operates. This also introduces a new statement called the Expenditure and Funding Analysis which will provide a direct reconciliation between the way that the PCC budgets (and is funded) and the CIES in a way that is more accessible to users of the accounts. This will largely negate the amounts reported for resource allocation decisions note.

In 2016-17 the Expenditure and Funding Analysis, whilst being part of the primary statements will form part of the narrative report and full comparative information to 2015-16 will be provided. The changes to the Movement in Reserves Statement are less significant. The statement may be presented in a slightly simplified format with additional items shown in a further note to the accounts.

## **Changes to the format of the Pension Fund Account and the Net Assets Statement**

The IFRS 13 scope exclusion for fair value investment disclosures for IAS 26 has been removed and IFRS 13 has been adapted in section 2.10 of the Code. Therefore IFRS 13 fair value measurements will apply to the investments of pension schemes. This is likely to bring about some additional disclosures in relation to the assets held by the Local Government Pension Scheme.

## **IFRS 16 Leases**

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

The standard establishes a new accounting model for lessees in which all leases for substantial assets for more than 12 months will be accounted for by recognising a 'right to use' asset on the

Balance Sheet, together with a liability for the present value of the lease payments. This means that leases currently accounted for as operating leases would be treated similarly to finance leases but recognising only a proportion of the assets value.

The impact of this standard is that the asset recognition requirements are likely to bring all new qualifying leases within the scope of the prudential framework as capital expenditure.

## 2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in the Statement of Accounts in 2015-16 the PCC has had to make certain judgements about complex transactions involving uncertainty about future events. The critical judgements made in the statement of accounts are presented in the following paragraphs:

- A judgement has been made about the cost to include in the financial statements in relation to the Chief Constable and the impacts of this on the PCC and Group accounts. Following the stage 2 transfer of resources which was interpreted based on the Scheme of Consents and Delegation between the 2 corporation soles, the Chief Constable controls and directs police officers, PCSOs and the majority of police staff (excluding those staff directly employed by the PCC to manage his office), therefore all pay and pensions costs associated with these staff groups are presented in the Chief Constables accounts. The CFO's for the PCC and Chief Constable have determined that the non-pay costs within the support services element of the SERCOP analysis will form part of the cost of the PCC where these are attributable to the assets and liabilities of the PCC. As a result, the cost of running the Office for Policing and Crime and the non-pay costs of the SERCOP support functions are shown in the Comprehensive Income and Expenditure Statement of the PCC as these have been determined to be under his direction and control.
- With the introduction of IFRS 13 relating to Non-Current Assets the PCC has undertaken a review of properties which may be classified as surplus assets and therefore need to be valued at fair value using the provisions of the new standard which require such assets to be valued at their highest and best use from the perspective of market participants.
- Like all Authorities, the PCCWM is required to make additional payments for overtime and other allowances to be added to basic holiday pay when staff and officers are on leave. The PCC has been able to identify the expected liability relating to this matter for police officers and staff with some accuracy. It is now clear how and when this liability will be paid. The annual cost of this liability is expected to be between £1.1 and £1.5m each year and this has been built into the revenue budget for the PCCWM in 2016-17. The provision for £0.7m which was made in the 2014-15 accounts will be reversed in 2015-16 and the first payment which relates to the period from October 2015 to March 2016 will be paid in May 2016 and will be shown in the 2015-16 accounts as an accrued expense. Future payments are expected to be made in May each year and will be accrued expenses.
- Following legal advice the PCCWM will continue to recognise a contingent liability regarding Police Officer retirements under the A19 police regulations. This regulation allowed the Chief Constable to retire officers once they reached 30 years' service. The force received the

judgement from the Employment Tribunal in relation to claims made for age discrimination relating to the A19 process in July 2014. The judgement found in favour of police forces that the A19 process was not age discriminatory. The police federation representing the officers who brought this case to the tribunal have appealed this judgement. Any future liability will depend on the outcome of this appeal process which has been stayed until January 2017.

### 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 2016 for which there are significant risks of material adjustment in the next financial year are detailed in the table below:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The uncertainty surrounding the future funding settlement makes it uncertain that the PCCWM will be able to support sufficient expenditure on repairs and maintenance to maintain properties effectively – bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £94K for every year that useful lives have to be reduced. The Net Book Value of Property, Plant and Equipment as at 31 March 2016 is £166m (£134.5m in 2014-15)
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 2 firms of actuaries to provide the Group with expert advice about the assumptions to be applied to the Police Pension Schemes and the Local Government Pension Scheme.	The effects on the net pension liability of changes in individual assumptions can be measured but they interact in complex ways. The overall pension's liability as at 31 March 2016 is £5,970m (£6,930m in 2014-15). So, a very small percentage change in the overall liability can have a material impact on the accounts.
Collection Fund Bad Debt Provision	There is uncertainty around the amount of bad and doubtful debts that Billing Authorities declare on their collection fund balance sheets due to the ability of Local Authorities to recover all amounts	Changes in the value of debts recovered will affect any surplus or deficit in the collection fund which results in a change to debtor and creditor balances within the PCCWM accounts.



	<p>owing to them. This is expected to become more significant following the introduction of localised council tax benefit.</p>	<p>However, surpluses and deficits may be variable but they are unlikely to be material to the Group accounts overall. The combined bad debt provision for Billing Authorities applicable to the PCC at 31 March 2016 is £6.72m (6.48m in 2014-15) The bad debt provision for all Local Authorities is £86.87m as at 31 March 2016 (£83.45m in 2014-15)</p>
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#### 4. EVENTS AFTER THE BALANCE SHEET DATE

On 26<sup>th</sup> April 2016 the jury in the Hillsborough inquiry found that the 96 victims of the Hillsborough disaster were unlawfully killed. A class action has been brought against both South Yorkshire and West Midlands Police by the families of the Hillsborough victims. At this stage West Midlands Police has not received any particulars of claim from the legal representatives of the victims' families. At present it is very difficult to estimate the financial impact that these claims will have until the particulars of claims have been received.

On 1 June 2016 the Senior Coroner for Birmingham and Solihull decided to resume the inquest into the Birmingham pub bombings. The inquest is expected to commence in the next accounting period and the costs of legal representation for the Force are expected to be around £1m although the scope of the inquest is yet to be determined.

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### 5. 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.

2015-16 Group	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non-current assets	(7,767)			(7,767)	7,767
Revaluation losses on Property, Plant and Equipment	(351)			(351)	351
Amortisation of intangible assets	(1,596)			(1,596)	1,596
Capital grants and contributions applied	9,878			9,878	(9,878)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(353)			(353)	353
de-minimis capital purchases	(483)			(483)	483
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Statutory provision for the financing of capital investment (MRP)	1,477			1,477	(1,477)
Capital expenditure charged against the general fund balance	161			161	(161)
Voluntary provision above MRP	503			503	(503)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	7,514		(7,514)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(9,878)		9,878	0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	386	(386)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		9,048		9,048	(9,048)
Transfer from deferred Capital Receipts				0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements				0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(293,782)			(293,782)	293,782
Employers pensions contributions and direct payments to pensioners payable in the year	97,354			97,354	(97,354)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	692			692	(692)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(29)			(29)	29
<b>TOTAL ADJUSTMENTS</b>	<b>(196,274)</b>	<b>8,662</b>	<b>2,364</b>	<b>(185,248)</b>	<b>185,248</b>

2014-15 Group	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account</b>					
Charges for depreciation and impairment of non-current assets	(9,393)			(9,393)	9,393
Revaluation losses on Property, Plant and Equipment	3,084			3,084	(3,084)
Amortisation of intangible assets	(1,674)			(1,674)	1,674
Capital grants and contributions applied	23,767			23,767	(23,767)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(1,392)			(1,392)	1,392
de-minimis capital purchases	(436)			(436)	436
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</b>					
Statutory provision for the financing of capital investment (MRP)	1,531			1,531	(1,531)
Capital expenditure charged against the general fund balance	10,371			10,371	(10,371)
Voluntary provision above MRP	525			525	(525)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	8,940		(8,940)	0	
Application of grants to capital financing transferred to the Capital Adjustment Account	(23,767)		23,767	0	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,259	(1,259)		0	
Use of the Capital Receipts Reserve to finance new capital expenditure					
Transfer from deferred Capital Receipts		(631)		(631)	631
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	295			295	(295)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(344,443)			(344,443)	344,443
Employers pensions contributions and direct payments to pensioners payable in the year	79,460			79,460	(79,460)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	833			833	(833)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(76)			(76)	76
<b>TOTAL ADJUSTMENTS</b>	<b>(251,411)</b>	<b>(1,890)</b>	<b>14,827</b>	<b>(238,474)</b>	<b>238,474</b>

2015-16 PCC	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non-current assets	(7,767)			(7,767)	7,767
Revaluation losses on Property, Plant and Equipment	(351)			(351)	351
Amortisation of intangible assets	(1,596)			(1,596)	1,596
Capital grants and contributions applied	9,878			9,878	(9,878)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(353)			(353)	353
de-minimis capital purchases	(483)			(483)	483
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Statutory provision for the financing of capital investment (MRP)	1,477			1,477	(1,477)
Capital expenditure charged against the general fund balance	161			161	(161)
Voluntary provision above MRP	503			503	(503)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	7,514		(7,514)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(9,878)		9,878	0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	386	(386)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		9,048		9,048	(9,048)
Transfer from Deferred Capital Receipts				0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement				0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements				0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(694)			(694)	694
Employers pensions contributions and direct payments to pensioners payable in the year	400			400	(400)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	692			692	(692)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements				0	0
<b>TOTAL ADJUSTMENTS</b>	<b>(111)</b>	<b>8,662</b>	<b>2,364</b>	<b>10,915</b>	<b>(10,915)</b>

2014-15 PCC	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account</b>					
Charges for depreciation and impairment of non-current assets	(9,393)			(9,393)	9,393
Revaluation losses on Property, Plant and Equipment	3,084			3,084	(3,084)
Amortisation of intangible assets	(1,674)			(1,674)	1,674
Capital grants and contributions applied	23,767			23,767	(23,767)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(1,392)			(1,392)	1,392
de-minimis capital purchases	(436)			(436)	436
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</b>					
Statutory provision for the financing of capital investment (MRP)	1,531			1,531	(1,531)
Capital expenditure charged against the general fund balance	10,371			10,371	(10,371)
Voluntary provision above MRP	525			525	(525)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	8,940		(8,940)	0	
Application of grants to capital financing transferred to the Capital Adjustment Account	(23,767)		23,767	0	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,259	(1,259)		0	
Use of the Capital Receipts Reserve to finance new capital expenditure					
Transfer from Deferred Capital Receipts		(631)		(631)	631
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement					
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements					
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(215)			(215)	215
Employers pensions contributions and direct payments to pensioners payable in the year	144			144	(144)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	833			833	(833)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	0			0	0
<b>TOTAL ADJUSTMENTS</b>	<b>13,577</b>	<b>(1,890)</b>	<b>14,827</b>	<b>26,514</b>	<b>(26,514)</b>

## 6. 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 2015-16.

	Balance at 31 March 2014	Trf to reserves in 2014-15	Trf from reserves in 2014- 15	Trf between reserves in 2014-15	Balance at 31 March 2015	Trf to reserves in 2015- 16	Trf from reserves in 2015- 16	Trf between reserves in 2015-16	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital	(39,800)	0	0	(2,599)	(42,399)	0	21,424	0	(20,975)
Budget reserve	(70,492)	0	6,643	25,492	(38,357)	0	8,207	0	(30,150)
Redundancy and Equal pay reserve	(10,097)	0	0	0	(10,097)	0	0	0	(10,097)
Self-funded insurance	(13,000)	(2,506)	3,854	0	(11,652)	(2,506)	4,468	0	(9,691)
Devolved Budget reserve	(2,453)	(4,301)	0	0	(6,754)	(8,891)	3,370	0	(12,275)
Uniform and protective equipment reserve	(3,000)	(430)	706	0	(2,724)	(429)	138	0	(3,015)
Mobile Data project reserve	(2,599)	0	0	2,599	0	0	0	0	0
Major incidents	(2,153)	0	0	0	(2,153)	0	0	0	(2,153)
PoCA income reserve	(1,082)	0	0	0	(1,082)	0	0	0	(1,082)
Risk reserve	0	(1,022)	0	0	(1,022)	0	0	0	(1,022)
Budget Resilience reserve	0	0	0	(25,492)	(25,492)	0	0	0	(25,492)
<b>Earmarked Reserves</b>	<b>(144,676)</b>	<b>(8,259)</b>	<b>11,202</b>	<b>0</b>	<b>(141,732)</b>	<b>(11,826)</b>	<b>37,607</b>	<b>0</b>	<b>(115,952)</b>
<b>General Fund Reserves</b>	<b>(12,042)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,042)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,042)</b>

The Capital reserve shown in the table above will be used to fund capital expenditure identified in the PCCWM capital programme.

The General Fund Reserve is split between the PCC and the Chief Constable at 31 March 2016 as the PCC has contributed towards the Pension deficit and that money is held by the CC until it is applied in 2016/17.

## NOTES TO THE BALANCE SHEET

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

#### Movements in 2015-16

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation at 31 March 2015</b>	<b>84,829</b>	<b>67,560</b>	<b>38,186</b>	<b>190,575</b>
Additions in Year	592	7,204	32,338	40,134
Transfer between Categories	12,908		(13,619)	(711)
De Minimis	(1)	(471)		(472)
Disposals in Year	(277)	(11,994)		(12,271)
Revaluation Gains in Year	784			784
Revaluation Losses in Year	(525)			(525)
Impairments in Year				
<b>Cost or valuation at 31 March 2016</b>	<b>98,310</b>	<b>62,299</b>	<b>56,905</b>	<b>217,514</b>
<b>Accumulated Depreciation at 31 March 2015</b>	<b>2,123</b>	<b>53,959</b>	<b>0</b>	<b>56,082</b>
Depreciation Charge in Year	1,915	5,852		7,767
Transfer between Categories				
Depreciation written out on Revaluation	(281)			(281)
Depreciation written out on Revaluation Loss	(151)			(151)
Depreciation written out on Impairment				
Disposals in Year	(28)	(11,890)		(11,918)
<b>Accumulated Depreciation at 31 March 2016</b>	<b>3,578</b>	<b>47,921</b>	<b>0</b>	<b>51,499</b>
<b>Net Book Value at 31 March 2016</b>	<b>94,732</b>	<b>14,378</b>	<b>56,905</b>	<b>166,015</b>
<b>Net Book Value at 31 March 2015</b>	<b>82,706</b>	<b>13,601</b>	<b>38,186</b>	<b>134,493</b>

A Full revaluation of the Property Portfolio was carried out in 2014/15 with an effective date of 1 April 2014. These assets were valued at Current Value based on Existing Use Value. Revaluation Gains and Losses are comprised of a change in Asset value combined with a write out of previously charged depreciation. Revaluation losses include revaluation gains which reverse losses charged to the CIES in prior years.

The new Custody suite at Oldbury became operational in March 2016 and was transferred at Historical cost until its first valuation. Management have reviewed the carrying values of assets as at 31 March 2016 and are satisfied that they are not materially misstated.

## Comparative Movements in 2014-15

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation at 31 March 2014</b>	<b>101,882</b>	<b>77,193</b>	<b>1,856</b>	<b>180,931</b>
Additions in Year	105	6,787	23,830	30,722
Transfer between Categories	(12,468)	(32)	12,500	0
De Minimis	(34)	(391)		(425)
Disposals in Year	(386)	(15,997)		(16,383)
Revaluation Gains in Year	(1,121)			(1,121)
Revaluation Losses in Year	(3,149)			(3,149)
Impairments in Year				
<b>Cost or valuation at 31 March 2015</b>	<b>84,829</b>	<b>67,560</b>	<b>38,186</b>	<b>190,575</b>
<b>Accumulated Depreciation at 31 March 2014</b>	<b>13,560</b>	<b>63,582</b>	<b>0</b>	<b>77,142</b>
Depreciation Charge in Year	3,236	6,157		9,393
Transfer between Categories	24	(24)		0
Depreciation written out on Revaluation	(10,112)			(10,112)
Depreciation written out on Revaluation Loss	(4,489)			(4,489)
Depreciation written out on Impairment				
Disposals in Year	(96)	(15,756)		(15,852)
<b>Accumulated Depreciation at 31 March 2015</b>	<b>2,123</b>	<b>53,959</b>	<b>0</b>	<b>56,082</b>
<b>Net Book Value at 31 March 2015</b>	<b>82,706</b>	<b>13,601</b>	<b>38,186</b>	<b>134,493</b>
<b>Net Book Value at 31 March 2014</b>	<b>88,322</b>	<b>13,611</b>	<b>1,856</b>	<b>103,789</b>

## Valuations

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Total £000
Carried at Historical Cost	17,073	62,299	79,372
Valued at current value as at:			
1 April 2015	18,695	0	18,695
1 April 2014	62,542	0	62,542
1 April 2013	0	0	0
1 April 2012	0	0	0
1 April 2011	0	0	0
Total cost or valuation	98,310	62,299	160,609



## 8. HERITAGE ASSETS

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

The West Midlands Police Museum at Sparkhill and Coventry Police Station contains collections of whistles, medals, photographs, uniform and police vehicles depicting the history of the Police Force in the Birmingham and West Midlands area over more than 100 years. The collection of artefacts held is valued at £156,000 which is an insurance valuation (last performed in 2009). The valuation is expected to be re-calculated in 2016-17 as the items in the museum are moved to a new location within the force.

The PCCWM owns a sculpture in the grounds of Bilston police station entitled "fingertip search". This item has been valued at its cost of £30,000.

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.

## 9. FUTURE CAPITAL COMMITMENTS

The refurbishment of Lloyd House, part of an estates strategy for Birmingham city centre, commenced works in 2014/15 and has outstanding commitments at 31 March 2016 of £4.2m.

This project will be funded from reserves, thus there will be no requirement for the PCCWM to borrow funds to support it.

## 10. STATEMENT OF PHYSICAL ASSETS

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

	31 March 15	31 March 16
Operational Police Stations	24	10
Beat Offices	62	71
Police Administrative Buildings	4	4
Police Houses	21	19
Stand alone Radio Aerials	2	2
Garages	1	1
Training Centres	4	4
Other Property	40	40

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

Other minor assets include equipment and vehicles, although these are too numerous to list individually. In future years the numbers of such assets will diminish greatly, as present policy is to classify the majority of such items as revenue rather than capital when their purchase cost is less than £5,000.

## 11. INTANGIBLE ASSETS

The PCCWM accounts for its software as intangible assets, where the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The useful lives assigned to major software suites used by the Group are 3 years.

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

	2014-15			2015-16		
	Internally generated assets £'000	Other Assets £'000	Total £'000	Internally generated assets £'000	Other assets £'000	Total £'000
<u>Balance at start of year</u>						
Gross carrying amounts	0	15,058	15,058	0	13,321	13,321
Accumulated amortisation	0	12,891	12,891	0	9,440	9,440
Net carrying amount at start of year	<b>0</b>	<b>2,167</b>	<b>2,167</b>	<b>0</b>	<b>3,881</b>	<b>3,881</b>
<u>Additions</u>						
Internal Development	0	0	0	0	0	0
Purchases	0	3,416	3,416	0	376	376
Net Disposals in the year	0	(17)	(17)	0	0	0
Amortisation for the period	0	(1,674)	(1,674)	0	(1,596)	(1,596)
Transfer between categories	0	0	0	0	0	0
De Minimis	0	(11)	(11)	0	(11)	(11)
Net carrying amount at the end of the year		<b>3,881</b>	<b>3,881</b>		<b>2,650</b>	<b>2,650</b>
<u>Comprising:</u>						
Gross carrying amounts	0	13,321	13,321	0	13,299	13,299
Accumulated amortisation	0	9,440	9,440	0	10,649	10,649
	<b>0</b>	<b>3,881</b>	<b>3,881</b>	<b>0</b>	<b>2,650</b>	<b>2,650</b>

## 12. 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 2015 £'000	Long Term at 31 March 2016 £'000	Current at 31 March 2015 £'000	Current at 31 March 2016 £'000
Financial Liabilities at amortised cost	55,978	55,425	3,021	966
Total Borrowings	55,978	55,425	3,021	966
Loans and receivables	23,106	17,069	181,804	129,710*
Total Investments	23,106	17,069	181,804	129,710

\*This figure includes £54.5m representing investments with a maturity of less than 1 month. These are classified as cash equivalents.

Additional Financial Instruments held include:

	31 March 15 £'000	31 March 16 £'000
Short Term Debtors	15,964	13,164
Long Term Debtors	1,309	1,309
Short Term Creditors	(26,753)	(26,027)
Cash	(1,360)	(762)
<b>Total</b>	<b>(10,840)</b>	<b>(12,316)</b>

These financial instruments relate to the proportion of debtor, creditor and cash balances which fit the definition of financial instruments according to the CIPFA code of practice on local authority accounting. Examples are debtors and creditors which principally arise from contracts. The complete long and short term debtor and creditor balances are disclosed in notes 15, 18 and 21 respectively.

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

	Carrying amount 2015 £'000	Fair value 2015 £'000	Carrying amount 2016 £'000	Fair value 2016 £'000
<b>Financial Liabilities</b>				
<i>Borrowings</i>				
Financial Liabilities (PWLB Loans)	47,167	71,500	47,167	71,500
Financial Liabilities (WMCC debt)	8,811	11,300	8,258	10,700
<i>Creditors</i>				
Other financial liabilities	28,113	28,113	26,789	26,789
<b>Financial Assets</b>				
<i>Investments</i>				
Long Term investments	181,804	181,804	129,710	129,710
Short term Investments	23,106	23,106	17,069	17,069
<i>Debtors</i>				
Other receivables	17,273	17,273	14,473	14,473

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

Recurring fair value measurement using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
<b>Financial Liabilities</b>				
Borrowings:				
Financial Liabilities (PWLB)	0	71,500	0	71,500
Financial Liabilities (WMCC debt)	0	10,700	0	10,700
<b>Total</b>	<b>0</b>	<b>82,200</b>	<b>0</b>	<b>82,200</b>

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

Financial Assets	Financial Liabilities
Where an instrument will mature in the next 12 months fair value is taken as carrying value	No early repayment is recognised
The fair value of trade and other receivables is taken as the billed or invoiced amount	Estimated ranges of interest rates at 31 March 2016 of 1.13% to 2.93% for PWLB loans payable based on PWLB new loan rates
	The fair value of trade and other payables is taken to be the billed or invoiced amount

### 13. LONG TERM BORROWING

Transactions undertaken during the year were as shown below:

	31 March 15 £'000	31 March 16 £'000
Opening Balance	(58,546)	(55,978)
External Loans Raised in Year	0	0
Loans Repaid in Year	2,568	553
<b>Closing Balance</b>	<b>(55,978)</b>	<b>(55,425)</b>

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

	31 March 15 £'000	31 March 16 £'000
Public Works Loan Board	(47,167)	(47,167)
W.M.C.C. Debt	(8,811)	(8,258)
Birmingham City Council	0	0
<b>Total</b>	<b>(55,978)</b>	<b>(55,425)</b>

The fair value of the Public Works Loan Board loans is £71.5m which measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the PCC will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However it should be noted that the PCC has the ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. An additional measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £47.6m would be valued at £60.2m. But, if the PCC were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early

redemption of £23.9m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £71.5m.

The fair value of West Midlands County Council debt has been calculated as £10.7m as at 31 March 2016. 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 15	31 March 16
	£'000	£'000
PWLB accrued interest and principal repayment	2,518	413
W.M.C.C principal repayment	503	553
	<b>3,021</b>	<b>966</b>

These borrowings are repayable as follows:

	31 March 15	31 March 16
	£'000	£'000
Maturity within 5 years	6,137	7,168
Maturity within 6 to 10 years	13,771	13,436
Maturity within 11 to 15 years	3,304	0
Maturity in 15 or more years	35,787	35,787
<b>Total</b>	<b>58,999</b>	<b>56,391</b>

#### 14. LONG AND SHORT -TERM INVESTMENTS

The PCCWM invests its surplus cash balances in order to generate income by earning interest. The balance sheet shows these investments at amortised cost (including accrued interest), as summarised below:

	31 March 15	31 March 16
	£'000	£'000
Short Term Investments (Banks, Building Societies, Local Authority)	181,804	129,710*
Long Term Investments	23,106	17,069
<b>Total</b>	<b>204,910</b>	<b>146,779</b>

\*Included with this figure is the amount of £54.5m representing investments with a maturity of less than 1 month. These are classified as cash equivalents. (See note 19). The fair value of these investments has been calculated as £147.1m as at 31 March 2016; 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.

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

	31 March 15 £'000	31 March 16 £'000
NPAS	1,309	1,309
<b>Total</b>	<b>1,309</b>	<b>1,309</b>

## 16. MANAGEMENT OF RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The PCCWM is exposed to several risks arising from the use of financial instruments:

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

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

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

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

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

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

### **Credit Risk**

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

The PCC's policy for 2015/16 was to not lend more than £60m to an individual counterparty with a high credit rating. Individual limits for value and duration are applied to each approved counterparty based on their overall credit rating.

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

The following analysis summarises the PCC's potential maximum exposure to credit risk, based on default and uncollectability experience over the previous five financial years but adjusted to include current market conditions.

	Amount at 31 March 2016	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2016	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2015	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2016
	£'000	%	%	£'000	£'000
Deposits with Financial Institutions	146,800	0.18	1.00	2,085	1,559

Given that several institutions meeting the minimum credit rating criteria defaulted in 2008/09, it is important to note the estimated maximum exposure to default and uncollectability figure. There are no current indications that any losses will arise from non-performance by the PCC's current approved counterparties.

### **Liquidity Risk**

As the PCCWM has ready access to borrowings from the Public Works Loans Board there is no significant risk that there will be an inability to raise finance to meet commitments under financial instruments. Instead the risk is that the PCC will be required to take up borrowing at a time of unfavourable interest rates (see market risk). The maturity analysis of financial liabilities is shown in note 13.

### **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 2015	Actual 31 March 2016
	%	%	£'000	£'000
Under 12 months	25	0	3,021	966
12 months and within 24 months	25	0	553	608
24 months and within 5 years	50	0	2,563	5,594
5 years and within 10 years	75	0	13,771	13,436
10 years and above	100	25	39,091	35,787
<b>Total</b>			<b>58,999</b>	<b>56,391</b>

### **Market Risk**

#### **Interest Rate Risk**

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

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

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.

Investments at fixed rates – the fair value of the assets will fall.

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

#### Price Risk

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

#### Foreign Currency Risk

As at the 31<sup>st</sup> of March 2016 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..

## 17. INVENTORIES

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

	Vehicle parts and fuel		Uniforms, Stationery and Reprographics		Total	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01 April	171	139	705	779	876	918
Purchases	436	350	1,819	1,123	2,255	1,472
Recognised as an expense in year	(468)	(353)	(1,745)	(1,193)	(2,213)	(1,546)
<b>Balance as at 31 March</b>	<b>139</b>	<b>136</b>	<b>779</b>	<b>710</b>	<b>918</b>	<b>846</b>

## 18. SHORT TERM DEBTORS

	31 March 2015	31 March 2016
	£'000	£'000
Central Government Bodies	17,842	31,552
Other Local Authorities and PCCs	11,772	11,464
NHS Bodies	43	27
Public Corporations and Trading Funds	0	315
Other entities and individuals	5,487	5,701
<b>Total</b>	<b>35,144</b>	<b>49,059</b>

A proportion of short term debtors are recognised as financial instruments. These have been disclosed in note 12.



## 19. CASH AND CASH EQUIVALENTS

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

	31 March 2015	31 March 2016
	£'000	£'000
Cash held by the PCCWM	310	338
Bank Current Accounts	(1,670)	(1,100)
Short term deposits with financial institutions	63,837	54,518
<b>Total</b>	<b>62,477</b>	<b>53,756</b>

The short term deposits held with financial institutions recognised as cash equivalents have less than 1 month to maturity. A proportion of cash and bank balances are disclosed as financial instruments. These are disclosed in note 12.

## 20. ASSETS HELD FOR SALE

	Non-Current	
	2014-15	2015-16
	£'000	£'000
Balance outstanding at start of year	825	0
<b>Assets newly qualified as held for sale:</b>		
Property, plant and equipment	0	711
Revaluation losses	(88)	0
Revaluation gains	108	0
<b>Assets declassified as held for sale:</b>		
Property, plant and equipment	0	0
Assets sold	(845)	0
<b>Total</b>	<b>0</b>	<b>711</b>

## 21. SHORT TERM CREDITORS

	31 March 2015	31 March 2016
	£'000	£'000
Central Government Bodies	9,815	10,352
Other Local Authorities	11,274	10,457
NHS Bodies	19	3
Public Corporations and Trading Funds	82	0
Other entities and individuals	24,231	25,078
<b>Total</b>	<b>45,421</b>	<b>45,890</b>

A proportion of short term creditor balances are disclosed as financial instruments. These are disclosed in note 12.

## 22. USABLE RESERVES

Movements in the Group's usable reserves are detailed in the Movement in Reserves Statement and Note 5.

## 23. UNUSABLE RESERVES

	31 March 2015 £'000	31 March 2016 £'000
Revaluation Reserve	(17,388)	(17,679)
Capital Adjustment Account	(73,584)	(106,275)
Pensions Reserve	6,930,474	5,975,779
Deferred Capital Receipts reserve	(1,309)	(1,309)
Collection Fund Adjustment Account	(1,341)	(2,033)
Accumulated Absences Account	3,225	3,255
<b>Total</b>	<b>6,840,077</b>	<b>5,851,736</b>

### Revaluation Reserve

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

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

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

	2014-15 £'000	2015-16 £'000
Balance at 1 April	(11,276)	(17,388)
Adjustment to opening balance	(143)	0
Upward revaluation of assets	(9,099)	(1,064)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	1,832	23
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(7,267)	(1,041)
Difference between fair value depreciation and historical cost depreciation	563	564
Accumulated gains on assets sold or scrapped	735	186
Amount written off to the Capital Adjustment Account	1,298	750
<b>Balance as at 31 March</b>	<b>(17,388)</b>	<b>(17,679)</b>

## Capital Adjustment Account

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

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

Note 5 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2014-15 £'000	2015-16 £'000
Balance at 1 April	(46,047)	(73,584)
Adjustment to Revaluation Reserve	143	0
<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	8,830	7,203
Revaluation losses on Property, Plant and Equipment	(3,084)	351
Amortisation of intangible assets	1,675	1,596
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	657	167
	8,221	9,317
<b>Adjusting amounts written out</b>	436	483
<b>Net written out amount of the cost of non current assets consumed in the year</b>	8,657	9,800
<i>Capital financing applied in year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(9,048)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(6,573)	(7,514)
Application of grants to capital financing from the Capital Grants Unapplied Account	(17,194)	(2,364)
Statutory provision for the financing of capital investment charged against the General Fund balance	(1,531)	(1,477)
Voluntary Provision for the repayment of debt	(525)	(503)
Capital expenditure charged against the General Fund balance	(10,371)	(21,585)
Balance as at 31 March	<b>(73,584)</b>	<b>(106,275)</b>

## 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 2015 £'000	31 March 2016 £'000
Balance at 1 April	5,964,031	6,930,474
Remeasurements of the net defined benefit liability or asset	701,460	(1,151,123)
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	344,443	293,782
Employers' pensions contributions and direct payments to pensioners payable in the year	(79,460)	(97,354)
<b>Balance as at 31 March</b>	<b>6,930,474</b>	<b>5,975,779</b>

## Collection Fund Adjustment Account

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

	31 March 2015 £'000	31 March 2016 £'000
<b>Balance at 1 April</b>	<b>(508)</b>	<b>(1,341)</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(833)	(692)
<b>Balance at 31 March</b>	<b>(1,341)</b>	<b>(2,033)</b>

## Accumulating Compensated Absences Adjustment Account

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

	2014-15 £'000	2015-16 £'000
<b>Balance at 1 April</b>	<b>3,149</b>	<b>3,225</b>
Settlement or cancellation of accrual made at the end of the previous year	0	0
Amounts accrued at the end of the current year	3,149	3,225
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	76	30
<b>Balance at 31 March</b>	<b>3,225</b>	<b>3,255</b>

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2014-15 PCC Outturn £'000	2014-15 Group Outturn £'000		2015-16 PCC Outturn £'000	2015-16 Group Outturn £'000
0	433,850	Police Pay and Allowances	0	397,011
1,242	124,015	Police Staff and PCSO Pay and Allowances	1,398	127,830
601	4,079	Other Employee Expenses	1,362	4,620
<b>1,843</b>	<b>561,944</b>	<b>Sub Total Employee Costs</b>	<b>2,760</b>	<b>529,461</b>
19,439	22,217	Premises Related Costs	14,816	17,955
7,032	9,211	Transport/Travel Costs	6,236	8,347
30,018	60,009	Supplies & Services	32,209	64,003
4,011	8,296	Agency Expenses	4,692	8,414
7,784	7,784	Capital Financing Costs	9,608	9,608
<b>70,127</b>	<b>669,461</b>	<b>TOTAL GROSS EXPENDITURE</b>	<b>70,321</b>	<b>637,788</b>
(8,452)	(66,759)	External Income	(9,324)	(63,115)
0	586	Non-Distributed Costs	393	1,520
<b>61,675</b>	<b>603,288</b>	<b>NET COST - GENERAL FUND SERVICES</b>	<b>61,390</b>	<b>576,193</b>

Within the subjective analysis in the table above the costs relating to the PCC are shown in the first column. The employee costs represent the costs of the staff in the Office for Policing and Crime who are under the direction and control of the PCC. Additionally the premises costs, transport/travel costs and supplies and services costs represent the non-pay related costs in these areas which are under the direction and control of the PCC and include costs relating to buildings, equipment and vehicles.

All capital financing costs are shown as costs of the PCC as the Commissioner controls the capital financing decisions of the Group.

The reduction in pay and allowances for the group between 2014-15 and 2015-16 is due to a reduction in actual pay costs of £5.2m (due to a continued reduction in the number of police officers employed), further reductions in current service pension costs of £12.2m. The remaining difference was due to an adjustment in payments of liabilities to former pensioners.

Police staff and PCSO pay and allowances have increased by £3.8m. There has been a reduction in pay costs of £3.7m again due to a continued reduction in the size of the police staff population but this has been offset by increases in current services pension costs of £7.5m

The groups' premises related expenditure has decreased by £4.2m. This is due to a number of one off in year savings being achieved from changes in contracted suppliers and stock condition works (£0.7m), carbon credits which were paid in advance in 2014/15 (£0.4m), rates rebates and rent reviews (£0.5m), electricity savings from a change to the way electricity bills are determined (£0.4m), utility savings from mild weather (£0.3m) and a reduction in external consultant fees due to the Change Programme. The remaining savings are from reduced spending in year on improvements and alterations due to the change programme work being undertaken.

The group's supplies and services costs have increased by £4m. This is associated with the ongoing work between the force and its IIP partnership with Accenture as project work now moves into an implementation phase which requires additional project resources.

## 25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by police service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Command Team and PCC on the basis of budget reports analysed across police services and portfolios. These reports are based on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure. (depreciation, revaluation and impairment losses in excess on the balance in the Revaluation Reserve are charged to police services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service costs of benefits accrued in the year.

The information presented to the Chief Officers and PCC for the year ending 31 March 2016 is as follows:

	ACC Crime, Portfolio £000	ACC Local Policing Portfolio £000	ACC Operations Portfolio £000	ACC Security £000	Deputy Chief Constable Portfolio £000	Director of Resources Portfolio £000	West Midland Office for Policing and Crime £000	Other £000	Total £000
Fees, Charges & Other Income	(2,136)	(535)	(7,174)	(3,397)	(507)	(6,603)	0	(111,822)	(132,175)
Government Grant	(739)	(65)	(1,809)	(32,464)	0	0	(3,084)	1,037	(37,125)
<b>Total Income</b>	<b>(2,876)</b>	<b>(599)</b>	<b>(8,983)</b>	<b>(35,861)</b>	<b>(507)</b>	<b>(6,603)</b>	<b>(3,084)</b>	<b>(110,785)</b>	<b>(169,299)</b>
Employee Expenses	122,436	198,676	67,548	29,252	8,414	39,807	1,741	129,148	597,022
Other Operating Expenses	12,348	2,853	4,756	11,223	1,547	42,137	10,784	14,308	99,956
<b>Total Operating Expenses</b>	<b>134,784</b>	<b>201,529</b>	<b>72,304</b>	<b>40,476</b>	<b>9,961</b>	<b>81,944</b>	<b>12,525</b>	<b>143,456</b>	<b>696,978</b>
<b>Contribution to / from Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(29)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,998)</b>	<b>(4,027)</b>
<b>Net Expenditure</b>	<b>131,909</b>	<b>200,929</b>	<b>63,321</b>	<b>4,586</b>	<b>9,454</b>	<b>75,340</b>	<b>9,440</b>	<b>28,673</b>	<b>523,652</b>

Non-portfolio areas collected under 'other' include Pensions, Capital Financing, and Secondment and Command Team costs.

<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>2015-16</b>
Cost of Services in Service Analysis (as above)	523,652
Add services not included in main analysis	72,018
Add amounts not reported to management	149,652
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(169,129)
Add Corporate Amounts	(1,527,727)
<b>Net cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>(951,534)</b>

## 2015-16

<b>Reconciliation to Subjective Analysis</b>	<b>Service Analysis £000</b>	<b>Treated as Corporate Amount £000</b>	<b>Not reported to mgmt. £000</b>	<b>Not included in I&amp;E £000</b>	<b>Net Cost of Services £000</b>	<b>Corporate Amounts £000</b>	<b>Total £000</b>
Fees, charges & other service income	(132,175)	73,662	(305)	34,030	(24,788)	0	(24,788)
Interest and investment income	0	0	0	0	0	(1,296)	(1,296)
Top Up Grant	0	0	0	0	0	(73,662)	(73,662)
Government grants and contributions	(37,125)	0	(1,203)	0	(38,327)	0	(38,327)
<b>Total Income</b>	<b>169,299</b>	<b>73,662</b>	<b>(1,508)</b>	<b>34,030</b>	<b>(63,115)</b>	<b>(74,958)</b>	<b>(138,073)</b>
Employee expenses	597,022	0	139,004	(205,045)	530,981	0	530,981
Other operating expenses	99,956	(1,644)	12,156	(2,140)	108,327	0	108,327
Financing Provision	0	0	0	0	0	0	0
Pension & Interest costs	0	0	0	0	0	228,418	228,418
Interest Payments	0	0	0	0	0	2,867	2,867
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(32)	(32)
<b>Total operating expenses</b>	<b>696,978</b>	<b>(1,644)</b>	<b>151,160</b>	<b>(207,185)</b>	<b>639,309</b>	<b>231,253</b>	<b>870,562</b>
<b>Contribution to / from Reserves</b>	<b>(4,027)</b>	<b>0</b>	<b>0</b>	<b>4,027</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Operating Expenditure</b>	<b>523,652</b>	<b>72,018</b>	<b>149,652</b>	<b>(169,129)</b>	<b>576,193</b>	<b>156,296</b>	<b>732,489</b>
Council Tax Payer	0	0	0	0	0	(90,771)	(90,771)
Police Grant (including Rule 2)	0	0	0	0	0	(252,263)	(252,263)
Non-Domestic Rates	0	0	0	0	0	(181,310)	(181,310)
Non-Specific Government Grants	0	0	0	0	0	(7,514)	(7,514)
<b>(Surplus)/Deficit for the year</b>	<b>523,652</b>	<b>72,018</b>	<b>149,652</b>	<b>(169,129)</b>	<b>576,193</b>	<b>(375,563)</b>	<b>200,630</b>
Collection fund adjustment from previous year	0	0	0	0	0	0	0
Surplus/deficit on the revaluation of fixed assets	0	0	0	0	0	(1,041)	(1,041)
Actuarial (gains)/losses on pension fund assets and liabilities	0	0	0	0	0	(1,151,123)	(1,151,123)
Collection fund adjustment account	0	0	0	0	0	0	0
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>523,652</b>	<b>72,018</b>	<b>149,652</b>	<b>(169,129)</b>	<b>576,193</b>	<b>(1,527,727)</b>	<b>(951,534)</b>



The information presented to the Chief Officers and PCC for the year ending 31 March 2015 is as follows:

	ACC Crime, PPU & Intelligence Portfolio £000	ACC Local Policing Portfolio £000	ACC Operations Portfolio £000	ACC Security £000	Deputy Chief Constable Portfolio £000	Director of Resources Portfolio £000	West Midland Office for Policing and Crime £000	Other £000	Total £000
Fees, Charges & Other Income	(2,719)	(452)	(14,396)	(1,008)	(2,573)	(2,427)	0	(99,463)	(123,038)
Government Grant	(3,890)	0	(3,244)	(28,899)	0	0	(1,760)	1,453	(36,341)
<b>Total Income</b>	<b>(6,609)</b>	<b>(452)</b>	<b>(17,640)</b>	<b>(29,908)</b>	<b>(2,573)</b>	<b>(2,427)</b>	<b>(1,760)</b>	<b>(98,010)</b>	<b>(159,379)</b>
Employee Expenses	139,025	126,981	100,174	71,759	14,727	26,983	1,193	113,758	594,601
Other Operating Expenses	7,943	350	11,695	10,979	17,259	35,616	9,276	19,203	112,321
<b>Total Operating Expenses</b>	<b>146,968</b>	<b>127,332</b>	<b>111,870</b>	<b>82,738</b>	<b>31,987</b>	<b>62,599</b>	<b>10,469</b>	<b>132,961</b>	<b>707,352</b>
<b>Contribution to / from Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,449)</b>	<b>(4,449)</b>
<b>Net Expenditure</b>	<b>140,359</b>	<b>126,880</b>	<b>94,230</b>	<b>52,830</b>	<b>29,413</b>	<b>60,172</b>	<b>8,709</b>	<b>30,963</b>	<b>543,556</b>

<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>2014-15</b>
Cost of Services in Service Analysis (as above)	<b>543,556</b>
Add services not included in main analysis	60,214
Add amounts not reported to management	149,216
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(149,236)
Add Corporate Amounts	345,375
<b>Net cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>949,125</b>

## 2014-15

<b>Reconciliation to Subjective Analysis</b>	<b>Service Analysis £000</b>	<b>Treated as Corporate Amount £000</b>	<b>Not reported to mgmt £000</b>	<b>Not included in I&amp;E £000</b>	<b>Net Cost of Services £000</b>	<b>Corporate Amounts £000</b>	<b>Total £000</b>
Fees, charges & other service income	(123,038)	61,830	(427)	34,245	(27,390)	0	(27,390)
Interest and investment income	0	0	0	0	0	(1,471)	(1,471)
Top Up Grant	0	0	0	0	0	(61,830)	(61,830)
Government grants and contributions	(36,341)	0	(1,037)	0	(37,377)	0	(37,377)
<b>Total Income</b>	<b>(159,379)</b>	<b>61,830</b>	<b>(1,464)</b>	<b>34,245</b>	<b>(64,768)</b>	<b>(63,301)</b>	<b>(128,069)</b>
					0		
Employee expenses	594,601	0	143,432	(175,503)	562,530	0	562,530
Other operating expenses	112,321	(1,616)	9,238	(12,427)	107,517	0	107,517
Financing Provision	0	0	(1,991)	0	(1,991)	0	(1,991)
Pension & Interest costs	0	0	0	0	0	262,558	262,558
Interest Payments	0	0	0	0	0	3,011	3,011
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	138	138
<b>Total operating expenses</b>	<b>706,922</b>	<b>(1,616)</b>	<b>150,679</b>	<b>(187,929)</b>	<b>668,056</b>	<b>265,706</b>	<b>933,762</b>
<b>Contribution to / from Reserves</b>	<b>(3,987)</b>	<b>0</b>	<b>0</b>	<b>3,987</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Operating Expenditure</b>	<b>543,556</b>	<b>60,214</b>	<b>149,216</b>	<b>(149,698)</b>	<b>603,288</b>	<b>202,405</b>	<b>805,693</b>
Council Tax Payer	0	0	0	0	0	(85,478)	(85,478)
Police Grant (including Rule 2)	0	0	0	0	0	(268,708)	(268,708)
Revenue Support Grant	0	0	0	0	0	0	0
Non-Domestic Rates	0	0	0	0	0	(188,212)	(188,212)
Non-Specific Government Grants	0	0	0	0	0	(8,941)	(8,941)
<b>(Surplus)/Deficit for the year</b>	<b>543,556</b>	<b>60,214</b>	<b>149,216</b>	<b>(149,698)</b>	<b>603,288</b>	<b>(348,934)</b>	<b>254,354</b>
Collection fund adjustment from previous year	0	0	0	0	0	0	0
Surplus/deficit on the revaluation of fixed assets	0	0	0	0	0	(7,267)	(7,267)
Actuarial (gains)/losses on pension fund assets and liabilities	0	0	0	0	0	701,460	701,460
Collection fund adjustment account	0	0	0	0	0	0	0
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>543,556</b>	<b>60,214</b>	<b>149,216</b>	<b>(149,698)</b>	<b>603,288</b>	<b>345,259</b>	<b>948,547</b>

## 26. AGENCY EXPENDITURE

	PCC 31 March 2015 £'000	Group 31 March 2015 £'000	PCC 31 March 2016 £'000	Group 31 March 2016 £'000
Levies	4,185	4,185	4,747	4,747
Government Departments	0	1,836	0	1,319
Health Authorities	0	0	0	25
Other Local Authorities	0	182	0	194
All other bodies	15	2,093	0	2,129
<b>Total agency expenditure</b>	<b>4,200</b>	<b>8,296</b>	<b>4,747</b>	<b>8,414</b>

Agency expenditure has been presented differently in the accounts for 2015-16 to align the organisational types with other debtors and creditors. The 2014-15 values for the PCC have been re-stated as a result of this.

Agency expenditure is included within the net cost of policing services (see note 25) in the group accounts. Agency expenditure in the Chief Constable's accounts excludes levies and some support costs.

## 27. EMPLOYEE REMUNERATION

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

2014-15 Police officers	2014-15 Police staff	2014-15 Total	Earnings Band	2015-16 Police Officers	2015-16 Police Staff	2015-16 Total
6,609	3,885	10,494	Less than £49,999	6,370	3,690	10,060
286	25	311	£50,000-£54,999	274	27	301
164	12	176	£55,000 - £59,999	177	5	182
26	8	34	£60,000 - £64,999	37	8	45
20	2	22	£65,000 - £69,999	24	6	30
4	4	8	£70,000 - £74,999	5	2	7
11	1	12	£75,000 - £79,999	8	0	8
11	2	13	£80,000 - £84,999	8	4	12
2	2	4	£85,000 - £89,999	12	3	15
1	0	1	£90,000 - £94,999	0	0	0
2	0	2	£95,000 - £99,999	0	0	0
0	0	0	£100,000 - £104,999	1	0	1
0	1	1	£105,000 - £109,999	0	0	0
1	1	2	£110,000 - £114,999	1	0	1
1	0	1	£115,000 - £119,999	1	1	2
0	0	0	£120,000 - £124,999	0	0	0
0	0	0	£125,000 - £129,999	0	0	0
0	0	0	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	0	0	0
1	0	1	£140,000 - £144,999	0	0	0
0	0	0	£145,000 - £149,999	0	0	0
0	0	0	£150,000 - £154,999	0	0	0
0	0	0	£155,000 - £159,999	1	0	1
0	0	0	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	1	0	1
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
0	0	0	£185,000 - £189,999	0	0	0
0	0	0	£190,000 - £194,999	0	0	0
1	0	1	£195,000 - £199,999	0	0	0
<b>7,140</b>	<b>3,943</b>	<b>11,083</b>	<b>Totals</b>	<b>6,920</b>	<b>3,746</b>	<b>10,666</b>

The PCCWM has chosen to include senior employees and relevant police officers in the above salary bands even though the Account and Audit regulations (SI 2009 No. 3322) do not require this. The PCCWM believes that this provides a fuller and more transparent disclosure of all salaries paid to employees of West Midlands Police whose remuneration is more than £50,000 per year.

## 28. SENIOR OFFICERS REMUNERATION

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

### Senior Officers' remuneration in 2015-16

Post holder information	Notes	Salary (inc fees and allowances)	Compensation for loss of office	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Police and Crime Commissioner for West Midlands</b>							
Police and Crime Commissioner Mr David Jamieson		100.0	0	0	100.0	11.4	111.4
Deputy Police and Crime Commissioner Ms Yvonne Mosquito		62.0	0	0	62.0	7.1	69.1
West Midlands - Office for the Police and Crime Commissioner Chief Executive (1)	1	11.5	74.6	2.4	88.5	278.9	367.5
West Midlands - Office for the Police and Crime Commissioner Chief Executive (2)	2	77.0	0	0	77.0	8.6	85.6
West Midlands – Office for the Police and Crime Commissioner Chief Finance Officer (1)	3	9.9	0	0	9.9	0	9.9
West Midlands – Office for the Police and Crime Commissioner Chief Finance Officer (2)	4	39.7	0	0	39.7	4.5	44.2
West Midlands – Office for the Police and Crime Commissioner Legal Advisor	5	31.9	0	0	31.9	3.6	35.5
<b>Total:</b>		<b>331.9</b>	<b>74.6</b>	<b>2.4</b>	<b>408.9</b>	<b>314.2</b>	<b>723.1</b>

#### Notes:

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

5. The Office for Police and Crime Commissioner Legal Advisor is employed for 0.39FTE. The post holder's annualised equivalent salary is £79,100.

Post holder information	Notes	Salary (inc fees and allowances)	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000
<b>Chief Constable for West Midlands Police</b>						
Chief Constable C Sims	1	165.5	3.1	168.6	0	168.6
Chief Constable D Thompson	2	34.4	1.4	35.8	7.2	43.0
Deputy Chief Constable (1)		121.4	4.6	126.0	25.3	151.3
Deputy Chief Constable (2)	3	24.6	1.0	25.6	5.1	30.7
Assistant Chief Constable (1)		113.4	5.7	119.1	23.1	142.3
Assistant Chief Constable (2)	4	82.3	3.0	85.3	20.1	105.4
Assistant Chief Constable (3)		119.8	4.6	124.4	23.6	148.0
Assistant Chief Constable (4)		105.0	4.7	109.7	21.6	131.4
Assistant Chief Constable (5)	5	17.1	1.0	18.1	3.6	21.7
Director of Resources		119.7	8.3	128.0	13.5	141.6
<b>Total:</b>		<b>903.3</b>	<b>37.4</b>	<b>940.7</b>	<b>143.2</b>	<b>1083.9</b>

Notes:

- Chief Constable Sims retired from the force on 11 January 2016 His annualised salary is £195,000
- Chief Constable Thompson was recruited to this post on 11 January 2016. Prior to this he was the Deputy Chief Constable. The post holders annualised salary (including fees and allowances) is £190,000
- The Deputy Chief Constable commenced their role on 1 February 2016. The post holders annualised salary (including fees and allowances) is £147,500
- This Assistant Chief Constable commenced their role on 1 June 2015. The post holders annualised salary (including fees and allowances) is £105,300
- This Assistant Chief Constable left the force on 31 May 2015. This post holders annualised salary (including fees and allowances) is £102,500

## Senior Officers' remuneration in 2014-15

Post holder information	Notes	Salary (inc fees and allowances)	Compensation for loss of office	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Police and Crime Commissioner for West Midlands</b>							
Police and Crime Commissioner Mr Bob Jones		25.3	0	0	25.3	1.0	26.3
Police and Crime Commissioner Mr David Jamieson	1	61.0	0	0	61.0	7.0	68.0
Deputy Police and Crime Commissioner Ms Yvonne Mosquito		72.4	0	0	72.4	7.0	79.4
West Midlands Office of the Police and Crime Commissioner - Chief Executive		107.1	0	6.2	113.3	10.2	123.5
West Midlands Office of the Police and Crime Commissioner - Chief Finance Officer	2	21.2	0	0	21.2	0	21.2
West Midlands Office of the Police and Crime Commissioner – Legal Advisor	3	10.4	0	0	10.4	1.1	11.5
<b>Total:</b>		<b>297.4</b>	<b>0</b>	<b>6.2</b>	<b>303.6</b>	<b>26.3</b>	<b>329.9</b>

Notes:

- 1: David Jamieson was elected in August 2014 following the sudden death of PCC Bob Jones on 1 July 2014.
- 2: The West Midlands Office for Police and Crime Commissioner - Chief Finance Officer (formerly the Police Authority Treasurer) is employed for 0.2FTE. The post holder's annualised salary is £105,000
- 3: The West Midlands Office for Police and Crime Commissioner - Legal Advisor is employed for 0.39FTE. The post holder's annualised equivalent salary is £79,100. The post holder joined the OPCC in November 2014.

Post holder information	Notes	Salary (inc fees and allowances)	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000
<b>Chief Constable for West Midlands Police</b>						
Chief Constable C Sims		195.3	3.0	198.3	0	198.3
Deputy Chief Constable		144.4	6.4	150.8	34.2	185.0
Assistant Chief Constable (1)		112.6	6.5	119.1	26.0	145.1
Assistant Chief Constable (2)		116.6	4.7	121.3	26.0	147.3
Assistant Chief Constable (3)		99.9	7.1	107.0	24.0	131.0
Assistant Chief Constable (4)	1	82.4	3.5	85.9	19.2	105.1
Assistant Chief Constable (5)	2	28.3	0	28.3	6.6	34.9
Temp Assistant Chief Constable (6)	3	19.7	1.0	20.7	4.6	25.3
Director of Resources		114.8	7.6	122.4	13.1	135.5
Temp Assistant Director of Resources	4	7.5	0.4	7.9	0.9	8.8
<b>Total:</b>		<b>921.5</b>	<b>40.2</b>	<b>961.7</b>	<b>154.6</b>	<b>1,116.3</b>

Notes:

1. This ACC commenced their role on 1 June 2014. The post holders annualised salary is £95,400
2. This ACC retired on 2 June 2014. The post holders annualised salary was £107,500
3. This Chief Superintendent acted in the role of ACC in April and May 2014 and part of January 2015.
4. This post holder carried out this role in April 2014 after which the role was no longer required in the Command Team structure

## 29. TERMINATION BENEFITS

The 2015-16 Code of Practice on Local Authority Accounting requires the disclosure of the number and cost of agreed exit packages. This note splits exit packages between those which relate to a compulsory redundancy and those which relate to other redundancy and departure costs.

Cost band	No. of compulsory redundancies		No. of other agreed departures		Total No. of exit packages by cost band		Total cost of exit packages in each band	
	2014-15	2015-16	2014-15 (re-stated)	2015-16	2014-15 (re-stated)	2015-16	2014-15 (re-stated) £'000	2015-16 £'000
£0 - £19,999	0	0	59	61	59	61	548	525
£20,000 - £39,999	0	0	17	16	17	16	490	473
£40,000 - £59,999	0	0	8	5	8	5	405	227
£60,000 - £79,999	0	0	4	1	4	1	288	79
£80,000 - £99,999	0	0	0	4	0	4	0	347
£100,000 +	0	0	2	3	2	3	251	632
<b>Total</b>	<b>0</b>	<b>0</b>	<b>90</b>	<b>90</b>	<b>90</b>	<b>90</b>	<b>1,982</b>	<b>2,283</b>

The 2014-15 exit packages have been re-stated to include pay in lieu of notice which was not included in this disclosure note in the accounts in 2014-15.

The costs shown in the table above relate to the payments made to individuals who have been made redundant or whose redundancy has been agreed as at 31 March 2016 but who have not left the Group at the Balance Sheet date.

## 30. EXTERNAL AUDIT COSTS

In 2015-16 the PCCWM incurred the following fees relating to external audit:

	Police and Crime Commissioner		Group	
	2014-15 £'000	2015-16 £'000	2014-15 £'000	2015-16 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	56	42	86	65
Fees payable to Grant Thornton UK LLP in respect of other services provided during the year	0	2	0	2
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	(13)	0	(16)	0
Fees payable to the Audit Commission in respect of statutory inspection	1	0	1	0



The appointed auditor in 2015-16 was Grant Thornton UK LLP. The fee payable by the PCCWM for the audit of the PCC and Group Accounts is £42,400. There is a further fee of £22,500 for the Audit of the Chief Constable of West Midlands Police accounts making a total fee of £64,900 for the Police and Crime Commissioner Group. In addition Grant Thornton UK LLP provided tax advice to the Group at a cost of £1,500 in 2015/16.

### 31. GRANT INCOME

The Group credited the following grants to the Comprehensive Income and Expenditure Statement in 2015-16. These are separated into those grants which were credited to the PCCWM and those which were credited to the CCWMP.

	CCWMP 2014-15 £'000	PCCWM 2014-15 £'000	CCWMP 2015-16 £'000	PCCWM 2015-16 £'000
<i>Credited to Taxation and Non Specific Grant Income</i>				
Police Grant	0	268,708	0	252,263
Capital Grants Received	0	8,941	0	7,514
Pensions top up grant receivable	61,830	0	73,662	0
<b>Total</b>	<b>61,830</b>	<b>277,649</b>	<b>73,662</b>	<b>259,777</b>
<i>Credited to Police Services</i>				
Loan Charges Grant	0	639	0	592
Counter Terrorism Grant	30,434	0	31,170	0
Disorder Grant	0	101	0	0
Council Tax Freeze Grant	0	1,991	0	0
Other Grants	5,581	1,659	3,907	3,422

### 32. 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 32 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 £28.20m in 2015-16 (£21.70m in 2014-15). Payments we have received

from other Local Authorities in the form of precept income from Council Tax payers are detailed at the foot of the Comprehensive Income and Expenditure Statement.

## **Members**

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

One member of the Strategic Policing and Crime Board has declared that they are a member of the Birmingham Community Safety Partnership where the Commissioner's community safety budget is discussed and distributed amongst a number of organisations. They are also on the governance board of a Youth Employment Initiative where services to support re-offenders are commissioned in partnership with Birmingham City Council and other partners

A second member of the Strategic Policing and Crime Board has declared that they are a trustee for a rape and sexual violence charity in Birmingham that bids for funding from the PCC. This member has no role in preparing bids for the charity and has not had a decision making role in the allocation of funds to this and similar charities. This member is also Chair of the Victims Commission where they are part of the bids assessment process relating to fund allocations but takes no part in decision making where RSVP has made a bid for funding.

A third member of the Strategic Policing and Crime Board has declared that they are a council appointed board observer for 'Voluntary Action Coventry', they are also a trustee of Coventry Citizen's Advice Bureau and they are a cabinet member for Community Development Cooperatives and Social Enterprise for Coventry City Council – all of which may have received funding either directly or indirectly from the OPCC.

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

## **Officers**

One Police Force Chief Officer has declared that they took on a trustee position with the PCC's 'Building Blocks' charity and approved annual accounts for filing with the charities commission. No transactions took place in this period.

No other Chief Officers of the Force have declared any related party transactions in 2015-16.

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

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

Transactions with related parties who are not Strategic Policing and Crime Board members, PCCWM officers or Chief Officers are shown in the debtor and creditor balances in notes 19 and 22 respectively.

### 33. 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.

2014-15 Outturn £'000		2015-16 Programme £'000	2015-16 Outturn £'000
	Property Plant and Equipment comprising:		
	Land and Buildings:		
18,855	New Police Buildings	12,456	11,843
5,080	Improvements and Adaptations	17,950	20,443
	Vehicles and Equipment:		
3,558	Vehicles	4,230	4,406
5,766	IT inc. Intangible software	8,544	3,427
454	Other Equipment	200	372
425	Casualty Partnership / NABIS	0	20
<b>34,138</b>	<b>TOTAL</b>	<b>43,380</b>	<b>40,511</b>
	<b>FINANCING OF EXPENDITURE</b>		
23,767	Capital Grants	9,401	9,878
0	Capital Receipts	13,155	9,048
0	Capital Reserve	20,824	21,424
10,371	Direct Revenue Financing	0	161
<b>34,138</b>	<b>TOTAL</b>	<b>43,380</b>	<b>40,511</b>

The opening Capital Financing Requirement (CFR) at the start of the current reporting period was £38.3m and the closing CFR was £36.8m. The reduction in the CFR is made up of the Minimum Revenue Provision (MRP) representing a decrease in the underlying need to borrow.

## 34. LEASES

### Operating Leases

The PCCWM leases several of the properties which it occupies. The amount paid in respect of property rentals in 2015-16 was £2.5m including service charges and insurance.

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

	31 March 2015 £'000	31 March 2016 £'000
Within one year	660	620
Within two to five years	988	936
After more than five years	1,351	1,449
<b>Total</b>	<b>2,999</b>	<b>3,005</b>

### Finance leases

The PCCWM does not have any finance leases in 2015-16. The PCCWM did not have any finance leases in 2014-15.

### 35. DEFINED BENEFIT PENSION SCHEMES

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

The Group participates in two post-employment schemes:

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

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

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

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

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

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

## Comprehensive Income and Expenditure Statement

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

2014-2015	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	Total £'000
<b>Net cost of services:</b>						
Current service cost	(151)	(15,207)	(103,130)	(4,270)	(20,490)	(143,097)
Past service (cost)/ gain	0	(15)	0	0	0	(15)
Curtailments	0	(571)	0	0	0	(571)
<b><u>Financing and Investing Income &amp; Expenditure:</u></b>						
Net Interest cost	(62)	(6,746)	(238,130)	(8,300)	(9,120)	(262,296)
Administration costs	(2)	(262)	0	0	0	(262)
<b>Total post-employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(215)</b>	<b>(22,801)</b>	<b>(341,260)</b>	<b>(12,570)</b>	<b>(29,610)</b>	<b>(406,241)</b>
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
<b><u>Re-measurements of the net defined benefit liability/asset Comprising:</u></b>						
Return on plan assets (excluding the amount included in the net interest cost)	314	43,941	0	0	0	43,941
Actuarial gains and losses arising on changes in demographic assumptions	0	0	211,190	(23,110)	21,460	209,540
Actuarial gains and losses arising on changes in financial assumptions	(884)	(129,441)	(983,080)	89,650	(59,140)	(1,082,011)
Experience gains and losses arising on the pension liabilities	0	0	116,670	4,360	6,040	127,070
<b>Net charge to Comprehensive Income and Expenditure Statement</b>	<b>(785)</b>	<b>(108,301)</b>	<b>(996,480)</b>	<b>58,330</b>	<b>(61,250)</b>	<b>(1,107,701)</b>

## Movement in Reserves Statement

2015-2016	Local Government Pension Scheme PCC element £'000	Local Government Pension Scheme Group £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	694	32,593	267,600	11,210	10,820	45,220	<b>367,443</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>							
Employer's contributions payable to the scheme	(400)	(22,361)	0	0	0	0	<b>(22,361)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(153,170)	(2,450)	370	17,780	<b>(137,470)</b>

2014-2015	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	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	215	22,801	341,260	12,570	29,610	<b>406,241</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>						
Employer's contributions payable to the scheme	(144)	(15,938)	0	0	0	<b>(15,938)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(128,400)	(2,330)	5,050	<b>(125,680)</b>

In the above table the reversal of net charges for retirement benefits in accordance with International Accounting Standards includes the pension top up grant payable to the Chief Constable from the Home Office.



This grant is excluded in the table in note 6 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:

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

2014-2015	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	Total £'000
Present value of the defined benefit obligation	(5,382)	(724,606)	(6,292,860)	(126,970)	(260,970)	(7,405,406)
Fair value of plan assets	3,278	474,931	0	0	0	474,931
Sub-total	(2,104)	(249,675)	(6,292,860)	(126,970)	(260,970)	(6,930,475)
Other movements in the liability	0	0	0	0	0	0
Net liability arising from the defined benefit obligation	(2,104)	(249,675)	(6,292,860)	(126,970)	(260,970)	(6,930,475)

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

<b>2015-2016</b>	<b>Funded liabilities: Local Govt Pension Scheme PCC element £'000</b>	<b>Funded liabilities: Local Govt Pension Scheme Group £'000</b>	<b>Unfunded liabilities: 1987 Police Pension Scheme £'000</b>	<b>Unfunded liabilities: Injury Awards Pensions £'000</b>	<b>Unfunded liabilities: 2006 Police Pension Scheme £'000</b>	<b>Unfunded liabilities: 2015 Police Pension Scheme £'000</b>	<b>Total £'000</b>
1 April -15	(5,382)	(724,606)	(6,292,860)	(126,970)	(260,970)	0	(7,405,406)
Current service cost	(231)	(22,735)	(61,450)	(6,950)	(2,160)	(44,210)	(137,505)
Interest cost	(184)	(24,485)	(206,150)	(4,260)	(8,660)	(1,010)	(244,565)
Contributions by scheme participants	(68)	(5,829)	(13,970)	0	(550)	(18,210)	(38,559)
Transfers into the scheme	0	0	(700)	0	(580)	(20)	(1,300)
Re-measurements of the net defined benefit liability/asset	362	46,868	1,050,190	12,890	68,850	5,540	1,184,338
Benefits paid	29	15,957	167,140	2,450	180	430	186,157
Curtailments	(393)	(1,520)	0	0	0	0	(1,520)
Past service costs	0	0	0	0	0	0	0
Other movements in the liability	0	0	(797)	0	0	0	(797)
<b>31 March-16</b>	<b>(5,867)</b>	<b>(716,350)</b>	<b>(5,358,597)</b>	<b>(122,840)</b>	<b>(203,890)</b>	<b>(57,480)</b>	<b>(6,459,157)</b>

<b>2014-2015</b>	<b>Funded liabilities: Local Govt Pension Scheme PCC element £'000</b>	<b>Funded liabilities: Local Govt Pension Scheme Group £'000</b>	<b>Unfunded liabilities: 1987 Police Pension Scheme £'000</b>	<b>Unfunded liabilities: Injury Awards Pensions £'000</b>	<b>Unfunded liabilities: 2006 Police Pension Scheme £'000</b>	<b>Total £'000</b>
1 April -14	(4,495)	(561,470)	(5,424,560)	(187,630)	(194,530)	(6,368,190)
Current service cost	(151)	(15,207)	(103,130)	(4,270)	(20,490)	(143,097)
Interest cost	(198)	(25,649)	(238,130)	(8,300)	(9,120)	(281,199)
Contributions by scheme participants	(68)	(5,760)	(28,490)	0	(5,390)	(39,640)
Transfers into the scheme	0	0	(220)	0	(140)	(360)
Re-measurements of the net defined benefit liability/asset	(884)	(129,441)	(655,220)	70,900	(31,640)	(745,401)
Benefits paid	414	13,508	156,890	2,330	340	173,068
Curtailments	0	(571)	0	0	0	(571)
Past service costs	0	(15)	0	0	0	(15)
<b>31 March-15</b>	<b>(5,382)</b>	<b>(724,606)</b>	<b>(6,292,860)</b>	<b>(126,970)</b>	<b>(260,970)</b>	<b>(7,405,406)</b>

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

	Local Government Pension Scheme PCC assets £'000		Local Government Pension Scheme Group assets £'000	
	2014-15	2015-16	2014-15	2015-16
01 April	3,032	3,278	404,159	474,931
Interest on plan assets	136	115	18,903	16,350
Return on plan assets excluding the amount included in the net interest expense	314	(102)	43,941	(14,377)
Employer contributions	144	400	15,938	22,361
Member contributions	68	68	5,760	5,829
Benefits paid	(414)	(29)	(13,508)	15,957
Administration expenses	(2)	(1)	(262)	(203)
31 March	<b>3,278</b>	<b>3,729</b>	<b>474,931</b>	<b>488,934</b>

## History of the scheme

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

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

Within the amounts for 2015-16, the present value of liabilities relating to the staff within the Office for the Police and Crime Commissioner are £5.867m (£5.382m in 2014-15) and the fair value of the assets in the Local Government Pension Scheme that relate to the Office for the Police and Crime Commissioner are £3.729m (£3.278m in 2014-15).

The liabilities show the underlying commitments that the Group has in the long run to pay post-employment (retirement) benefits. The total liability of £5,970m has a substantial impact on the net worth of the Group recorded in the Balance Sheet, resulting in a negative overall balance of £5,709m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2017 is £22.95m. Expected contributions for the Police Pension Scheme in the year to 31 March 2017 are £87.0m

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme liabilities have been assessed by the Government Actuary's Department and the Police staff liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. The estimates for the West Midlands Pension Fund have been based on the last full valuation of the scheme as at 31 March 2013.

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	
	2014-15	2015-16	2014-15	2015-16
	Years	Years	Years	Years
Mortality Assumptions:				
<b>Longevity at 65 for current pensioners:</b>				
Men	23.0	23.0	23.3	23.1
Women	25.6	25.7	25.7	25.1
<b>Longevity at 65 for future pensioners:</b>				
Men	25.2	25.3	25.4	25.1
Women	28.0	28.0	27.9	27.2
	%	%	%	%
Rate of CPI inflation	2.10	2.20	2.20	2.20
Rate of increase in salaries	3.85	3.95	4.20	4.50
Rate of increase in pensions	2.10	2.20	2.20	2.50
Rate for discounting scheme liabilities	3.40	3.80	3.30	4.40
Proportion of employees opting to take a commuted lump sum	50	50	n/a*	n/a*

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

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

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

Local Government Pension Scheme PCC	Sensitivity analysis	Impact on the defined benefit obligation in the scheme		
		£000's	£000's	£000's
<b>Adjustment to the discount rate</b>		<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Present value of total obligation	5,755	5,867	5,981
	Projected service cost	214	218	222
<b>Adjustment to 1% p.a. short term salary increase</b>			<b>No change</b>	<b>Further 4 years</b>
	Present value of total obligation		5,867	5,487
	Projected service cost		218	215
<b>Adjustments to pension increases and deferred valuations</b>		<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Present value of total obligation	5,929	5,867	5,777
	Projected service cost	222	218	214
<b>Adjustment to life expectancy assumptions</b>		<b>+ 1 year</b>	<b>No change</b>	<b>- 1 year</b>
	Present value of total obligation	6,029	5,867	5,709
	Projected service cost	224	218	213

Local Government Pension Scheme Group	Sensitivity analysis	Impact on the defined benefit obligation in the scheme		
		£000's	£000	£000
<b>Adjustment to the discount rate</b>		<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Present value of total obligation	701,345	716,350	731,691
	Projected service cost	20,601	21,041	21,491
<b>Adjustment to 1% p.a. short term salary increase</b>			<b>No change</b>	<b>Further 4 years</b>
	Present value of total obligation		716,350	686,834
	Projected service cost		21,041	20,740
<b>Adjustments to pension increases and deferred valuations</b>		<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Present value of total obligation	730,086	716,350	702,921
	Projected service cost	21,488	21,041	20,603
<b>Adjustment to life expectancy assumptions</b>		<b>+ 1 year</b>	<b>No change</b>	<b>- 1 year</b>
	Present value of total obligation	737,859	716,350	695,487
	Projected service cost	21,578	21,041	20,518

Police Pension Scheme	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£000's	£000's
Longevity (increase or decrease of 1 year)	128,600	128,600
Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%)	490,100	(490,100)
Rate of increase in salaries (increase or decrease by 0.5%)	76,500	(76,500)
Rate of discounting scheme liability (increase or decrease by 0.5%)	(643,100)	643,100

The police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund covering police staff are valued at fair value, (the bid price of investments held), totalling £488.9m for the fund as a whole at 31 March 2016 (£474.9m at 31 March 2015). 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	Quoted Y or N	PCC Fair value of Assets Held		Group Fair value of assets held	
			31 March 2015 £'000s	31 March 2016 £'000s	31 March 2015 £'000s	31 March 2016 £'000s
Cash and cash equivalents	Cash instruments and accounts	Y	39	0	5,605	0
	Cash instruments and accounts	N	95	169	13,820	22,164
<b>Total Cash</b>			<b>134</b>	<b>169</b>	<b>19,425</b>	<b>22,164</b>
Equity Instruments	UK quoted	Y	313	437	45,309	57,206
	UK unquoted	N	55	22	7,932	2,933
	Overseas quoted	Y	1,227	1,436	177,908	176,339
	Overseas unquoted	N	341	435	49,393	57,204
<b>Total equity</b>			<b>1,936</b>	<b>2,240</b>	<b>280,542</b>	<b>293,682</b>
Bonds	UK Government fixed	Y	46	0	6,602	0
	UK Government fixed	N	0	52	0	6,845
	UK Government indexed	Y	212	0	30,775	0
	UK Government indexed	N	0	236	0	31,049
	UK other	Y	160	89	23,130	11,634
	UK other	N	0	82	0	10,657
	Overseas other	Y	85	0	12,348	0
	Overseas other	N	0	0	0	0
	Other	Y	104	30	15,055	3,911
<b>Total Bonds</b>			<b>607</b>	<b>489</b>	<b>87,910</b>	<b>64,096</b>
Property	UK and property funds	Y	286	305	41,461	40,016
<b>Total property</b>			<b>286</b>	<b>305</b>	<b>41,461</b>	<b>40,016</b>
Alternatives	Infrastructure	Y	111	7	16,147	977
	Infrastructure	N	0	127	0	16,624
	Absolute return	Y	203	0	29,445	0
	Absolute return	N	0	202	0	26,439
	Other fixed interest	Y	0	104	0	13,690
	Other fixed interest	N	0	86	0	11,246
<b>Total Alternatives</b>			<b>314</b>	<b>526</b>	<b>45,592</b>	<b>68,976</b>
<b>Total Assets held</b>			<b>3,277</b>	<b>3,729</b>	<b>474,930</b>	<b>488,934</b>

### 36. 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.

	2014-15 Capitalised Value £'000	2015-16 Actual Payments £'000	2015-16 Capitalised Value £'000
Payments made in respect of decisions made in the year	0	0	0
Payments made in respect of decisions made in previous years	2,026	120	2,157
	<b>2,026</b>	<b>120</b>	<b>2,157</b>

### 37. PROVISIONS

In 2014-15 provisions were recognised in the Statement of Accounts for equal pay claims (£1.4m) and the enhancement of annual leave payments to take into account overtime and certain regular allowances (£0.65m). This resulted in £2.05m of provisions being recognised in the Group Balance Sheet.

In 2015-16 it has been determined that the provision for equal pay claims is no longer required as the vast majority or primary and secondary claims relating to equal pay have now been settled and are recognised in the accounting statements within police staff pay costs.

The provision for enhanced annual leave payments taking into account overtime and certain regular allowances have also been reversed as payment to all affected officers relating to 2015-16 was made in May 2016 and recognised as a cost in the 2015-16 accounting statements. All future payments are expected to be made in May each year and will relate to overtime worked in the previous financial year.

A new provision has been recognised in 2015-16 for a portion of the costs of the core team provided by the forces innovation partner – Accenture. The value of this provision is £0.19m. This is part of the contractual arrangement between the PCC and Accenture in relation to the provision of services to the PCC.

The total value of provisions will be £0.19m in 2014-15. (£2.05m in 2014-15). This is recognised in the Group Balance Sheet.

### 38. CONTINGENT LIABILITIES AND ASSETS

The contingent liability recognised in the 2015-16 accounts relates to A19 Police Officer retirements which were recognised last year

The position relating to the on-going employment tribunal case regarding the legality of Police Officer retirements under the A19 Police Regulations (where officers argued that the application of A19 was carried out in a way which was discriminatory to their age) has been clarified by the Head of Legal Services. The case was put before the courts in 2014 with 5 police forces being represented together. The courts found in favour of the officers in this case but West Midlands Police appealed this decision because the forces legal advisors have indicated that the basis of the judge's decision was flawed.

As a result of this, 21 cases of unfair dismissal were brought against the PCC and were heard in March 2015. The judgement released on 2<sup>nd</sup> June 2015 found in favour of West Midlands Police. This position has been appealed by the representatives of the officers and the case has now been 'stayed' (put on hold) until January

2017. Therefore, It is not possible to determine with any certainty if (a) a liability exists (until the appeal is heard in 2017) and (b) a value for the future liability on this case in the event that the appeal is successful as any damages would need to be determined following the outcome of the case and may be dependent on the complexity and individual circumstances for each Police Officers claim.

The Chief Constable of West Midlands Police along with other Chief Constables and the Home Office, currently has 256 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

Contingent liabilities raised in the 2014-15 accounts relating to a ruling about the commutation factors used to determine firefighters pensions (known as GAD vs Milne) was resolved in 2015-16 with payments made to all affected officers in December 2015 and re-imburement received from the Home Office in February 2016.

### 39. 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 15 £'000	31 March 16 £'000
<b>Balance as at 1 April</b>	<b>245</b>	<b>277</b>
Income from confiscations and property auctions	208	186
Payments to charities	(175)	(140)
Payments to Neighbourhood Initiative Fund	0	0
Property Administration Expenditure	0	0
<b>Balance as at 31 March</b>	<b>277</b>	<b>324</b>

Notes 41 to 43 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 35 to 40.

### 40. 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 2016 was £144,517 (£140,568 at 31 March 2015).

#### **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 2016 was £1,723 (£1,722 at 31 March 2015).

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



#### 41. LIVESCAN CHANGE FUND

As senior responsible officer for the ACPO Forensics 21 Programme, the former Chief Constable of West Midlands Police controlled, on behalf of the NPIA, a bank account to pay for upgrades to the National Livescan Fingerprint Capture System. Responsibility for the account transferred to the Chief Constable of West Mercia during 2015/16 and the balance on the account of £2,113,756.31, was paid over on 22/03/16 (balance on 31 March 2015 was £2,112,707).

#### 42. PROCEEDS OF CRIME ACT 2002 ACCOUNT

In addition, there are three bank accounts for the holding of 3<sup>rd</sup> party funds seized as suspected proceeds of crime in accordance with the Act. At 31 March 2016 the balance on these accounts was £4,273,579, \$9,146 and €61,564. At 31 March 2015 the balance on these accounts was £3,768,162, \$16,093 and €16,442.

### NOTES TO THE CASH FLOW STATEMENT

#### 43. RECONCILIATION TO SURPLUS / (DEFICIT) ON THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Year ended 31 March 15 £'000	Year ended 31 March 16 £'000
Surplus (Deficit) for the year	(254,354)	(200,630)
Increase / (decrease) in Provisions	0	(1,863)
Accumulated absences creditor adjustment	76	0
Other adjustments for non-cash movements	3	(105)
Capital Financing transaction	8,420	10,197
Change in Short Term Borrowing	(975)	(2,055)
Increase / (decrease) in Long Term Debtors	631	0
Increase / (decrease) in Long Term Creditors	0	0
(Increase) / Decrease in stocks	(43)	73
(Increase) / Decrease in debtors	1,061	(13,915)
Increase / (Decrease) in creditors	10,992	1,289
IAS 19 Adjustment	406,241	348,164
Pension Adjustment	(79,428)	(78,075)
Net (gain)/loss on disposal of fixed assets	133	(33)
Interest Payable and Similar Charges	3,011	2,867
Interest and Investment Income	(1,471)	(1,296)
Pensions Top Up Grant Receivable	(61,830)	(73,662)
Pensions Reserve extraordinary movement	0	(5,556)
Other reserves movements	0	(21,394)
<b>Net Inflow (Outflow) from Revenue Activities</b>	<b>32,466</b>	<b>(35,994)</b>

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

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

#### 45. MOVEMENT IN CASH AND CASH EQUIVALENTS

	Balance at 31 March 15 £'000	Movement in the Year £'000	Balance at 31 March 16 £'000
Cash held by the PCC	310	28	338
Bank Current Accounts	(1,670)	570	(1,100)
Short term deposits with financial institutions	63,837	(9,319)	54,518
	<b>62,477</b>	<b>(8,721)</b>	<b>53,756</b>

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

## 46. JOINT OPERATIONS

### (a) CENTRAL MOTORWAY POLICE GROUP

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

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

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

The revenue account for the Unit covers all operating costs. The details for 2015-16 are as follows:

2014-15 £'000s		2015-16 £'000s
	<b>Funding provided to the pooled budget</b>	
(3,953)	Contribution from West Midlands Police	(3,987)
(1,971)	Contribution from West Mercia Police	(1,991)
(1,858)	Contribution from Staffordshire Police	(1,875)
<b>(7,782)</b>	<b>Total funding provided to the pooled Budget</b>	<b>(7,853)</b>
	<b>Expenditure met from the pooled budget</b>	
7,140	Pay and allowances	7,057
58	Premises costs	68
466	Transport costs	539
216	Supplies and Services	196
0	SPP grant	0
<b>7,880</b>	<b>Total expenditure</b>	<b>7,860</b>
	<b>Income received to the Pooled budget</b>	
(5)	Miscellaneous Income	0
(93)	External funding	(7)
<b>(98)</b>	<b>Total income received</b>	<b>(7)</b>
<b>7,782</b>	<b>Total Net Expenditure</b>	<b>7,853</b>
0	Net surplus/(deficit) arising during the year	0
0	West Midlands Police share of 50.7% of the net surplus/(deficit) arising during the year	0

The external income has been adjusted to reimburse Staffordshire and West Mercia PCC for associated overtime costs prior to the balance being apportioned across the Group accordingly. This impacts on the funding provided by the pooled budget.

## (b) 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 for / are as follows:

2014/15 £'000s		2015/16 £000's
	<b>Funding provided to WMROCU</b>	
(1,491)	Contribution from West Midlands Police	(1,429)
(554)	Contribution from West Mercia Police	(691)
(323)	Contribution from Staffordshire Police	(361)
(232)	Contribution from Warwickshire Police	(261)
(2,000)	WMROCU Grant	(1,745)
(233)	National Cyber Security Programme funding	(306)
(1,004)	Regional Asset Recovery Team grant	(166)
(630)	Additional Home Office funding (grant provided mid-year in 2015-16)	(669)
<b>(6,467)</b>	<b>Total funding</b>	<b>(5,628)</b>
	<b>WMROCU expenditure</b>	
1,004	Regional Asset Recovery Team (RART)	1,083
149	RART – ACE team	166
734	Regional Cyber Crime Unit	725
335	Regional Fraud Team	240
969	Regional Intelligence Unit	950
1,005	Regional Prisons Intelligence Unit	949
1,367	UKPPS (protected Persons)	822
236	Project Management	185
382	Project Management (Phase 2)	74
29	Operational Security	48
37	Regional Government Agency Intelligence Network	0
187	Command Team	201
34	Europol Secondment	0
<b>6,467</b>	<b>Total expenditure</b>	<b>5,628</b>
<b>0</b>	<b>Total Net Expenditure</b>	<b>0</b>

## POLICE PENSION FUND ACCOUNT

From 1 April 2006 the funding arrangements for the Police Pension Scheme were changed. This is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities and that cash has to be generated to meet actual pensions payments as they eventually fall due. Each year the pension fund is balanced to nil by the transfer of top up grant to/from the Police Fund.

2014-15 £'000	Police Pension Fund Account	2015-16 £'000	£'000
	<b>Fund Account</b>		
	Contributions receivable:		
	From employer:		
(59,130)	Normal	(50,698)	
(2,288)	Early retirements	(2,770)	
0	30+ contributions	0	
(61,418)		(53,468)	
(33,885)	From members	(32,733)	
(33,885)		(32,733)	
(360)	Transfers in	(1,296)	
(360)		(1,296)	
<b>(95,663)</b>	<b>Total income into the Pension Fund</b>		<b>(87,497)</b>
	Benefits payable:		
131,964	Pensions	136,728	
22,676	Lump sums	28,435	
343	Lump sum death benefits	441	
0	30+ benefits payable	0	
173	Benefits payable to other regional forces re earlier reorganisations	155	
155,157		165,759	
	Payments to and on account of leavers:		
0	Refunds of contributions	4	
2,336	Individual transfers out to other schemes	2,298	
0	Other	1	
2,336		2,303	
<b>157,493</b>	<b>Total payments from the pension fund</b>		<b>168,062</b>
<b>61,830</b>	<b>Net amount payable for the year</b>		<b>80,564</b>
0	2.9% employer contributions met by the Police and Crime Commissioner		(6,903)
(61,830)	Additional contribution received from the Police and Crime Commissioner		(73,661)
<b>0</b>			<b>0</b>

## Net Assets Statement

Net current assets and liabilities	2014-15	2015-16
	£'000	£'000
Current assets	0	0
Current liabilities	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## Notes to the Police Pension Fund Account

1. The police pension fund account has been prepared in accordance with the Police Pension Regulations 2007 and the accounting policies detailed on page 24 of this Statement of Accounts.
2. The police pension fund is administered by the Chief Constable.
3. All benefits payable during 2015-16 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2016 are not included. These liabilities are recognised within the Comprehensive Income and Expenditure Statement and Note 6 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 2015-16 the contribution rates were as follows :-
  6.
    - Employers Contribution – 21.3% for the 1987, 2006 and 2015 Police pension schemes

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

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

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

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

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

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

## Appendix:

### Recognition of Local Government Pension Scheme deficit payment impacting on the value of the pensions' reserve

There is a difference between the pension's liability and pensions reserve in the 2015-16 accounts of £5.56m. This is due to the nature of a payment made to the Local Government pension Scheme on 01 April 2015 for £11.149m which was noted as a Post Balance Sheet Event in the 2014-15 Statement of Accounts.

The payment was required to pay for the deficit in the Local Government Pension Scheme covering 2 years (2015-16 and 2016-17). The CIPFA Code of Practice does not permit the PCC to recognise the portion of this payment which relates to 2016-17 as a accrued expense in 2016-17 and as a result the payment was credited to the pensions reserve in full in 2015-16 and only the 2015-16 portion was recognised in the General Fund through the Movement in Reserves statement. The transactions that were carried out to reflect this movement are shown below:

	2014-15	Movements	2015-16
	£000	£000	£000
Pension Reserve	6,930,474	(954,695)	5,975,779
Pension Liability	(6,930,474)	960,251	(5,970,223)
Net movement	0	5,556	5,556

Payments were made to the Local Government Pension Scheme to pay the pension deficit contribution relating to both 2015-16 and 2016-17 years on 01 April 2015. The payments were £5.593m for 2015-16 and £5.556m for 2016-17. The total payment made was £11.149m. The CIPFA Code does not permit the portion that relates to 2016-17 to be treated as a prepaid expense and charged to revenue in 2016-17. Therefore the PCC was required to carry out the following transactions to recognise the deficit payment in accordance with the CIPFA Code.

	DEBIT	CREDIT
	£000	£000
<b>1. Account for the initial payment as a balance sheet transfer:</b>		
Pension Fund Liability	11,149	
Cash		11,149
<b>2. Transfer between Pension Reserve and General Fund in Movement in Reserves charge 15-16 year portion of cost</b>		
General Fund	5,593	
Pension Reserve		5,593

These transactions have the effect of producing the imbalance between the Pension Reserve and Liability which will be resolved at the end of 2016-17 when the payment of £5.556m is recognised in the General Fund

## GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**FINANCE AND OPERATING LEASE** – A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an

operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the revenue account.

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

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

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

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

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

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

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

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

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

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

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

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

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

**OUTTURN** – The actual amount spent in the financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

