

**Police and Crime  
Commissioner for the West  
Midlands:  
Consolidated Statement of  
Accounts  
  
2012-13**

# STATEMENT OF ACCOUNTS 2012-13

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## EXPLANATORY FOREWORD

On 15 September 2011 the Police Reform and Social Responsibility Act received Royal Assent in Parliament introducing a major change in the way the Police Service in England and Wales is governed and held accountable. The most significant of these reforms was the establishment of the Post of Police and Crime Commissioner, whose role is to ensure the policing needs of their community are met as effectively as possible, bringing communities closer to the police, building confidence in the system and restoring trust.

The Police and Crime Commissioner for West Midlands (PCCWM) Police took office on 22 November 2012 and the Office of the Police and Crime Commissioner (OPCC) replaced the West Midlands Police Authority on this date.

At the same time the Chief Constable for West Midlands Police was established as a separate body and made responsible for the West Midlands Police force. The primary function of the new body headed by the Chief Constable is the exercise of operational policing duties under the Police Act 1996. The role of the OPCC 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.

These are the first statutory accounts to be prepared under the new arrangements. For accounting purposes the PCCWM and Chief Constable together are known as the PCCWM group. A separate set of statutory accounts have been published for the Chief Constable and PCCWM/Group to recognise all the financial transactions incurred during 2012/13 for policing the West Midlands area.

This Statement of Accounts sets out the overall financial position of the Police and Crime Commissioner for the West Midlands (PCCWM). 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 Statement of Accounts for the PCCWM group consists of:

### **1. Police and Crime Commissioners Approval in the Audit Committee**

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 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**– 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. 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 now 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** – This statement 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 WMPCC.
- **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. 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 PCCWM at a rate of 24.2% 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 Police Fund.

## ACCOUNTING PRINCIPLES OF THE PCC AND GROUP

The accounting recognition of the Group's assets, liabilities and reserves during the first period of transition, reflects the powers and responsibilities of the PCCWM and CCWMP as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service England and Wales 2012. This accounting treatment is also underpinned by the relationships as defined by local regulations, local agreement and practice. On 22 November 2012 the assets liabilities and reserves of the WMPA were transferred to the PCCWM where they remain under the first phase of transition. The CCWMP while fulfilling its functions under the 2011 Act does not hold assets and liabilities directly except where in substance such assets and liabilities are deemed to be controlled by the CCWMP. The entity does not hold reserves in line with the Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012 and it does not receive direct Government funding or revenue from PCCWM or other sources. Payments are made by PCCWM from the Police Fund and no cash movements occur between the two bodies.

In practice the Chief Constable consumes financial resources against an annual budget for the discharge of his operational policing responsibilities. These accounts aim to show the nature of the resources which are controlled by the PCC which include charges for servicing and maintenance of assets and liabilities and the running costs of the Office for Policing and Crime. The annual budget is set by the PCCWM in consultation with the Chief Constable. Similarly, access is granted to PCCWM staff and assets and a scheme of delegation operates between the two bodies determining the local arrangements and respective responsibilities.

The financial consequences of PCCWM resources consumed at the request of the CCWMP during 2012/13, in pursuance of the Chief Constables operational responsibilities under the Act are shown in the Comprehensive Income and Expenditure Statement and the Service analysis in the notes to the accounts. This shows the net cost of policing for the PCCWM and the Group. As the CCWMP does not hold reserves under the Home Office Code, the financial consequences recognised in the CIES are offset by an intra-group adjustment to reflect the payments of the PCCWM resources consumed at the request of the CCWMP. The PCCWM 'net cost of policing services' includes the 'intra-group' adjustment, in addition to the cost of administering the Office for Policing and Crime to show the net cost of policing the West Midlands for 2012/13

## REVENUE OUTTURN 2012-13

The overall revenue outturn position is an underspend of £6.9m against the revised net budget of £529.4m. This is in line with outturn forecasts made during the financial year. The Group which comprises the Police and Crime Commissioner for the West Midlands and the Chief Constable for the West Midlands Police Force had an underspend of £6.9m of which £6.6m represented an underspend for the police force and £0.3m represented an underspend for the Office for the Police and Crime Commissioner.

In October 2012 the former Police Authority agreed a revised budget for 2012-13 which reflected the early realisation of savings planned for the 2013-14 budget made through the Priority Based Budgeting (PBB) cost reduction programme. The revised budget increased the net contribution to reserves in 2012-13 to £17.1m. In accordance with the budget strategy the additional net underspend of £6.9m has been transferred to the Budget Reserve to assist in addressing the funding challenge over the medium term.

General Balances have been maintained at £12m in accordance with the advice of the Chief Finance Officer for the PCC. The outturn should be considered in the light of the current financial position. The CSR and the requirement to save £126m by 2014-15 has put the PCC's budgets and reserves under significant pressure in maintaining a balanced position both now and in the future. The Force undertook a sizeable cost reduction programme in the form of the Priority Based Budgeting programme and the underspend achieved in 2012-13 is part of this and the level of spend in 2012-13 has been brought into line with future years budgets.

In total, pay related expenditure was overspent by £5.9m against the budget. There were 3 main reasons for this. Firstly, £2.7m of the overspend relates to additional spending to support the Olympics and Party Conferences funded by external income received during the year. Secondly, there were unbudgeted redundancy, pension fund strain and staff exit costs of £1.8m resulting from reductions in police staff numbers. Thirdly, changes made to the assumptions when the police staff pay budgets were amended as part of the revised budget and other in year variations resulted in a further £1.4m overspend.

During the year there was an underspend of £1.4m on premises related expenditure. This results from a slowing in activity in areas of the budget such as improvements, alterations and ongoing works in line with the overall strategic review of the estate. Some savings were also made on reactive maintenance.

Within supplies and services an underspend of £3.1m arose from reduced spending on purchase and maintenance of equipment, reduced use of consultants and other professional services. These savings were realised in support of changes that had previously been made through the force's PBB process.

In 2008-09 an amount was set aside to cover potential losses resulting from the suspended investment in the Icelandic bank Landsbanki. The latest accounting advice from CIPFA received in May 2013 is that there is a high likelihood that the full investment will be returned over the next 7 years. However, due to the significant fluctuations in international investments the PCC has determined that it would be prudent to continue to assume that 95% of the investment will be returned over the next 7 years, and as a result the £270,000 (5%) that has been provided should remain in an earmarked reserve to cover any potential unrecoverable amount in the future. Overall, the situation in relation to recovery of investments is by no means finalised and will continue to be monitored closely.

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

<i>Actual</i> 2011-12 £m	<i>Revenue Expenditure</i>	<i>Budget</i> 2012-13 £m	<i>Actual</i> 2012-13 £m	<i>Variation</i> + (-) £m
534.7	Employee costs	512.2	518.1	5.9
21.9	Premises costs	22.0	20.6	(1.4)
10.7	Transport costs	9.8	10.0	0.2
49.7	Supplies and Services	47.1	44.0	(3.1)
7.5	Agency costs	4.0	4.2	0.2
6.2	Capital Financing	5.9	5.4	(0.5)
(75.0)	Income	(73.6)	(81.5)	(7.9)
<b>555.7</b>	<b>Police Force</b>	<b>527.4</b>	<b>520.8</b>	<b>(6.6)</b>
1.8	Office for Police and Crime Commissioner (Police Authority in 2011-12)	2.0	1.7	(0.3)
<b>557.5</b>	<b>Net Cost General Police Services</b>	<b>529.4</b>	<b>522.5</b>	<b>(6.9)</b>
20.0	Contribution to the Budget Reserve	17.1	25.3	8.2
	Contributions from the Devolved Budget Reserve	0	(1.3)	(1.3)
<b>577.5</b>	<b>Net Budget Requirement</b>	<b>546.5</b>	<b>546.5</b>	<b>0</b>
	Statutory Accounting Adjustments:			
256.3	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance		236.4	
<b>833.8</b>	<b>Net Operating Expenditure (Income &amp; Expenditure Account)</b>		<b>782.9</b>	

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

	<b>2012-13 Revised Budget £m</b>	<b>2012-13 Outturn £m</b>	<b>Difference £m</b>
Net Operating Expenditure	529.4	522.5	(6.9)
Contribution to Budget Reserve	17.1	25.3	8.2
Contributions from the Devolved Budget Reserve	0	(1.3)	(1.3)
<b>Net Budget Requirement</b>	<b>546.5</b>	<b>546.5</b>	<b>0</b>

The table below shows how the Net Budget Requirement of £546.5m is funded from Government Grants and Council Tax.

	<b>2012-13 Outturn £m</b>
Council Tax Payer	80.0
Police Revenue Grant	252.9
Revenue Support Grant	4.1
Non-Domestic Rates	209.5
<b>Net Budget Requirement</b>	<b>546.5</b>

## **EARMARKED AND GENERAL RESERVES**

Earmarked Reserves amount to £113.7m, and the General Reserve has been maintained at £12m to adequately cover the risk of major incidents.

As at 31st March 2012 the Budget Reserve balance was £33.0m. As part of the 2013/14 budget setting, it was planned that £30.0m of the Budget Reserve will be earmarked to support the capital programme. Therefore, the net effect of the in year under spends and the re-allocation of £30.0m to the Capital Reserve has moved the total Budget Reserve balance to £28.3m. Of this amount, £2.3m is earmarked to support the revenue budget in 2013/14.

At the end of 2012/13 there has been no general carry forward of underspendings on devolved budgets. This decision reflects the need to maintain even greater control over the prioritisation of funds as the medium term financial pressures continue. There are however a small number of specific areas where contributions to or from earmarked reserves have been necessary to carry forward balances held for regionally funded units and other specifically funded items.

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

The PCC/Group has taken ownership of £3m of new vehicles which have been specified to reduce ongoing maintenance costs and improve fuel efficiency. The PCC/Group has also purchased £2.8m of IT systems and infrastructure equipment to improve the efficiency and reliability of the Information Technology function.

Overall capital expenditure for the year was planned to total £15.7m. in the original budget. This was amended to £10.7m in the revised budget as the PCC/Group moved back some planned expenditure on the construction of new custody facilities. Actual expenditure amounted to £8.4m (equivalent to 78% of planned expenditure). The PCC/Group has £81m 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 revaluation of assets in 2012-13 produced a revaluation loss of £13.2m. This was due to revaluation of a number of relatively new buildings in this financial year whose value in use is deemed to have fallen below their original valuation at cost.

## **PROVISIONS**

In 2010-11 the former Police Authority recognised a provision for £1m for the cost of settling equal pay claims following the outcome of a legal review which indicated that the Authority would be likely to have to settle claims to this value. A number of these claims have now been heard in court and the outcomes of claims that were brought against the Authority are expected to be settled for less than £0.5m. However, the PCCWM recognises that these cases may give rise to additional claimants in future. Therefore the PCCWM feels it is prudent to maintain the provision at £1m for the next financial year and to maintain a reserve for the medium to long term implications of these claims. The PCCWM will also maintain a provision of £0.7m for the expected cost of future redundancy packages and £0.35m for the cost of allowances required to meet the Governments' Carbon Reduction Scheme commitments.

## **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 £226m into net liabilities of £5,834m.

The actuarial losses on pension funds in 2012-13 have grown to £822m from £81m in 2011-12 which has impacted significantly on the overall pension's liability. The increase in actuarial losses in 2012-13 is largely due to a fall in yields on long term corporate bonds which in turn has affected the discount rate at which pensions are paid. When compounded over the duration of a typical pension payment the effect of this change is substantial. It should be noted however that actuarial gains and losses do change each year as can be seen from the statement of actuarial gains and losses table with the pensions notes on page 84 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 PCC/Group pays an employer's contribution of 24.2% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there are insufficient funds in the Pension Fund Account to meet expenditure commitments in any particular year, the Home Office will fund the deficit. In practice, therefore the significant liability of £6.061bn 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**

All accounting policies have been reviewed in compliance with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012-13. The code of practice includes amendments to IFRS 7 Financial Instruments Disclosures regarding the transfer of financial assets. The Group does not routinely engage in the transfer of financial assets of the nature described in the Code. Therefore, while the implications of this standard have been considered, its implementation does not have a material effect on the accounts of the associated notes.

## **BORROWING**

The PCCWM's borrowing totals £60m. There has been no new borrowing during the financial year. Details of borrowing are shown in Note 14.

## **FUTURE OUTLOOK**

Although the actual levels of future Government funding for the Police Service remain uncertain, it is clear from announcements by the Chancellor of the Exchequer and others that all public services, including the Police Service, will continue to be faced with further funding reductions in the medium term.

The application of crude across the board reductions in Government funding for PCCs, which do not take account of local circumstances, have had a far greater impact in the West Midlands than elsewhere, because of the policy in previous years of minimising calls on local council taxpayers and hence increased reliance on Government grant.

Despite this the Force, in conjunction with and supported by, firstly the former Police Authority and latterly the Commissioner, has delivered savings of over £100m since 2010/11. Systems are now well established to ensure that the challenges of future funding reductions will be met, whilst at the same time building on the key values of serving our communities and protecting them from harm.

Nevertheless the current funding arrangements are inequitable and unfair. The Commissioner's campaign for a fairer funding model assumes even greater importance as the Government moves towards a further review of the national funding formula.

On 20 March 2013 The PCCWM agreed to a project to refurbish the Police Headquarters – Lloyd House as part of an estate strategy for central Birmingham which will see a reduction in the number of buildings that are used by the force in the city centre. As at 31 March 2013 no contracts have been exchanged in relation to the commencement of this work.

The refurbishment of Lloyd House is part of an estates strategy for Birmingham city centre which is expected to cost £30.9m over a 3 year period.

## **EVENTS AFTER THE REPORTING PERIOD**

There are no adjusting or non-adjusting post balance sheets events to report as at the date that the accounts were authorised for issue.

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

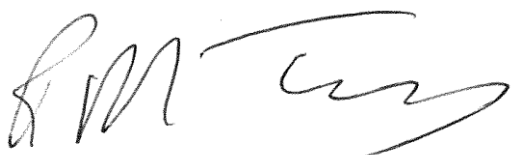
I certify that the Statement of Accounts presents a true and fair view of the consolidated financial position of the Police and Crime Commissioner of the West Midlands as at 31 March 2013 and its income and expenditure for the year then ended.



M S Williams CPFA  
Chief Finance Officer to the Police and Crime Commissioner  
Date: 25 September 2013

## POLICE AND CRIME COMMISSIONER'S CERTIFICATE

I certify that the Statement of Accounts presented to the Audit Committee, at a meeting on 26 June 2013 have been certified by the responsible financial officer and approved by the Police and Crime Commissioner for the West Midlands on 25 September 2013, in accordance with regulations 8 and 13 of the Accounts and Audit (England) Regulations 2011.



Bob Jones  
Police and Crime Commissioner for the West Midlands  
Date: 25 September 2013

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

Position as at 31<sup>st</sup> March 2013 including plans for the financial year 2013/14

## **1. Introduction**

The Police and Crime Commissioner for the West Midlands (the Commissioner) became the successor corporate body to the former West Midlands Police Authority on 22 November 2012. This Annual Governance Statement therefore covers a period when both the former Police Authority and the Commissioner had responsibility for governance issues. Although it has been prepared by the Commissioner and his Statutory Officers, where appropriate it should also be read as applying to the period up until the former Police Authority was abolished.

## **2. 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.

As an interim measure, the Commissioner has adopted the former Authority's 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-pcc.gov.uk](http://www.west-midlands-pcc.gov.uk) or can be obtained by contacting us, details at [www.west-midlands-pcc.gov.uk/contactus.asp](http://www.west-midlands-pcc.gov.uk/contactus.asp). This statement explains how the Commissioner has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement. The Commissioner will develop a new Code of Corporate Governance during 2013/14.

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

The governance framework comprises the systems and processes, and culture and values by which the Commissioner is directed and controlled and 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 and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the 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.

#### 4. The Governance Framework

Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Commissioner is required to hold him to account for the exercise of those functions and those of the persons under his direction and control.

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

The Commissioner has adopted a number of systems and processes which were operated by the former Police Authority, which together with the phased review and revision of those arrangements, comprise the Commissioner's current governance arrangements, the key elements of which are detailed below:

- identifying and communicating the Commissioner's vision and intended outcomes for citizens and service users
- translating the vision into objectives for the Commissioner
- measuring the quality of services for users, 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
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for the Commissioner, Deputy Commissioner, Members of the Strategic Policing Board, Statutory Officers and staff
- reviewing the effectiveness of the Commissioner's decision-making framework
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- ensuring effective management of change and transformation
  
- ensuring the Commissioner's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)
- 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
- ensuring effective arrangements are in place for the discharge of the head of paid service and monitoring officer functions
- established a Joint Audit Committee (with the Chief Constable) and appointed an independent Chair to continue and develop the work of the former Authority's Audit Committee, as identified by the Home Office's Code of Practice for Financial Management and CIPFA's Audit Committee – Practical Guidance for Local Authorities.
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- whistle blowing and for receiving and investigating complaints from the public
- identifying the development needs of members, board 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
- enhancing the accountability for service delivery and effectiveness of other public service providers

- developing good governance arrangements in respect of partnership and other joint working arrangements

## 5. Review of Effectiveness

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

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

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

- The Commissioner

The Commissioner has overall responsibility for the maintenance and review of the governance arrangements, and as an interim measure for this year only has asked his Statutory Officers, together with the Head of Internal Audit to undertake a review of the corporate governance arrangements, assessing and monitoring:

- 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.

Prior to its abolition the former Police Authority operated an Audit committee which it designated as the committee conduit through which the Governance work would be channelled. It was also designated as the committee responsible for risk management on behalf of the Authority. This, plus the role of approving the Statutory Accounts of the Authority made this committee the obvious choice for Corporate Governance. To ensure that it is ably qualified for such responsibilities, annual assessments of its abilities in line with best practice were undertaken which confirmed that the Audit Committee was well suited and equipped for such responsibilities.

- The Joint Audit Committee's Terms of Reference can be found at - [www.west-midlands-pcc.gov.uk](http://www.west-midlands-pcc.gov.uk)

- Internal Audit

The system of Internal Audit is a primary tenet of corporate governance and is the responsibility of the Commissioner. The provision and maintenance of an effective Internal Audit, has been delegated to the CFO. The Audit Committee oversees the provision of this service, reviewing associated plans and work outputs. The effectiveness of the system of Internal Audit is reviewed on an annual basis and forms part of the assurance protocols in relation to corporate governance.

The standards of Internal Audit are assessed against national guidelines of best practice and the current arrangements are fully compliant with these guidelines. A continuous Internal Audit of the Commissioner's business arrangements ( and prior to abolition the former Police Authority's arrangements) was undertaken and reported upon. The External Auditor also reviews the effectiveness of these arrangements and reports annually to the Audit Committee on the performance of Internal Audit.

## 6. Significant Governance Issues

The introduction of Police and Crime Commissioners and the abolition of Police Authorities during 2012/13 has created major changes in the governance arrangements for the Police Service. The Commissioner and the Chief Constable are now separate corporation soles with specific, and in some cases new, statutory responsibilities. Developing and embedding new governance arrangements and working relationships will continue to be a priority.

Whilst the Commissioner has been required to establish his own governance and working arrangements in a very short period of time, and which therefore by definition may well need to be refined and further developed, he has been able to benefit from the former Police Authority's commitment to leave a positive and lasting legacy and the planning and transition work undertaken by officers.

During 2013/14 the Commissioner and his statutory officers will develop a new Assurance Framework and Risk Management Strategy to reflect the Commissioners specific responsibilities and key priorities.

The operation of the new Strategic Policing and Crime Board, established to assist and support the Commissioner and his Deputy in discharging their responsibilities, the creation of Local Police and Crime Boards and the Commissioner's relationship with the Police and Crime Panel will also be important and significant governance issues during 2013/14.

During 2012/13 the former Police Authority, the Commissioner and the Force have successfully met the challenges of:

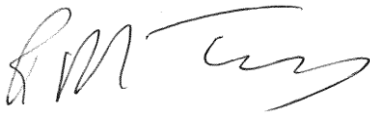
- Maintaining and improving service levels despite the biggest reduction in Government funding levels for any Police Service in the Country during the period of the current Comprehensive Spending Review
- Continuing to implement the Organisational Change Programme, making fundamental changes in the way services are delivered to the public
- Implementing the new Governance arrangements

Further significant reductions in spending and staffing levels have been reflected in the Budgets for 2013/14 and the financial plans for later years, ultimately requiring the type of changes which cannot be achieved without significant improvements to existing Information and Communication Technology Systems (ICT). Whilst the Commissioner took the decision to cease the Business Partnering Project which had been approved by the former Police Authority, the Commissioner and Chief Constable have now established a

Technology Task Force to advise on the future development of ICT. Significant changes to Corporate Estate are also planned in the next few years.

The scale of change facing the Commissioner and the Chief Constable remain extremely challenging, at a time when the demand and need for sustained and improved service to the public continues to increase. This will require firm leadership, careful management, innovation and robust scrutiny. We will continue to monitor and update plans, policies and risk documentation as more information becomes available, confident that our overall governance arrangements are sufficiently robust and resilient to meet the demands and challenges resulting from these changes.

**Signed**



Bob Jones  
Police and Crime Commissioner West Midlands



Ms. J. Courtney  
Head of Paid Staff Police and Crime Commissioner's Office West Midlands.



M S Williams.  
Chief Financial Officer Police and Crime Commissioner's Office West Midlands



# STATEMENT OF ACCOUNTING POLICIES

## General Principles

The Statement of Accounts summarises the Groups transactions for the 2012-13 financial year and its position at the year end of 31 March 2013. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13: Based on International Financial reporting Standards published by the Chartered Institute of Public Finance and Accountancy (CIPFA). 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

Property, Plant and Equipment Non Current Assets are shown in the Balance Sheet at fair value based on current 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 2012-13. It has been determined that such treatment does not make a material difference to the values of the Groups assets and component accounting of these assets has not been applied in 2012-13. 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 in 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 Balance Sheet date these will be held at Historical Cost and are not yet subject to depreciation.

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

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 (formerly the Income and Expenditure Account). 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

## Valuation

Freehold, leasehold and residential properties which the Group includes in its property portfolio were valued in 2009 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 fair 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, General equipment and vehicles are valued at depreciated historic cost as a proxy for fair value as they are written down to give a useful life of less than five years. The Helicopter became operational in 2011/12 and is not yet subject to revaluation.

## 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 Groups 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. Subsequently intangible assets are measured 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. Heritage Assets**

A tangible heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. West Midlands Police holds most of its heritage assets in the police museum at Sparkhill Police Station. A record is maintained there of the individual artefacts held and their value has been obtained as part of an insurance valuation which took place in 2009. The PCC/Groups policy is to update this insurance valuation at a minimum of every 10 years. Members of the public are permitted to attend the Police Museum during its opening times as published on the West Midlands Police Force Website.

Other heritage assets held include a statue of Sir Robert Peel at the Learning and Development Resource Centre and a commissioned sculpture at Bilston Police Station. The Group will regularly assess these assets to determine if their value has been impaired through physical deterioration.

Heritage Assets are measured at valuation in accordance with FRS 30 where this information is available; alternatively assets are valued at the most recent insurance valuation. Where valuations cannot be obtained at a cost which is commensurate with the benefits to users of the accounts heritage assets will be measured at historical cost (less accumulated impairment losses).

The heritage assets held are deemed to have indefinite lives and as such they are not subject to depreciation. However the assets will be reviewed for impairment where it is clear than any physical deterioration of the asset has taken place. Such an assessment will take place at the end of the reporting period in which this deterioration in the asset has been noted.

## **4. 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.

## **5. 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. 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 in his Accounts. To fund these costs and liabilities the Chief Constable's Accounts show as income the funding guarantee provided by the PCC to the Chief Constable, although no real cash changes hands. This treatment forms the basis of the intra-group adjustment between the Accounts of the PCC and Chief Constable. The tables in note 5 show the key intra funding transactions that have taken place between the Chief Constable and the PCC.

## **6. 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.

## **7. 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 Groups incremental borrowing rate on PWLB loans has been 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.

## **8. 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 PCCWM 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 in note 25.

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

## **9. Inventories**

Inventories (formally known as stocks and stores) 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.

## **10. Reserves**

The purpose and nature of reserves (split between useable and unusable reserves) maintained by the Group 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.

## **11. 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.

## **12. Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the PCC/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 PCC/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.

## **13. Contingent Assets**

A contingent asset arises where an event has taken place that gives the PCC/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 PCC/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.

## **14. Financial Liabilities**

Financial liabilities 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. 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.

## **15. Financial Assets**

Financial assets are classified into two types:

Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

Available for sale assets – assets that have a quoted market price and, or, do not have a fixed or determinable payments

#### Loans and Receivables

Loans and receivables 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.

#### Available for Sale Assets

Available for sale assets include equity shareholdings and quoted investments. These financial assets would be carried on the Balance Sheet at fair value with movements in their fair value taken to the Statement of Recognised Gains and Losses. Interest and dividends would be posted to the Comprehensive Income and Expenditure Statement. However, currently the Group does not hold any available for sale financial assets.

### **16. 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 Groups functions and have been shown as income in arriving at net expenditure.

The financing cost of capital expenditure incurred from 1990-91 onwards no longer qualifies for revenue grants, due to a change of treatment by the Home Office. Instead, Capital grant is received to finance capital expenditure up to a prescribed limit. 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 as income, 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 received in advance account. Capital grants that do not have any conditions imposed on them, which are not spent at the year end, will be transferred to the Capital Grants Unapplied Account.

The pensions top up grant, although received by the PCC will be disclosed in the Chief Constable's accounts on the basis that all pensions related costs are disclosed in the Chief Constables accounts. This grant simply offsets the difference between the cost of police pensions in year and the funding of those pensions. This is subsequently adjusted through the intra-group adjustment to show that ultimately the responsibility to fund the pension liabilities lies with the Commissioner.

### **17. 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 is demonstrably committed to the termination of the employment of an individual or group of employees or making an offer to encourage voluntary redundancy.

### 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 and 2006 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.

In 2011-12 the former Police Authority determined that disclosures for the Police Pension Scheme would show the liabilities for each scheme and their associated actuarial gains and losses separately. The Police Pension Scheme note now includes a separate disclosure of the 1987 Police Pension Scheme liabilities, the 1987 Police Pension Scheme injury awards liabilities and the 2006 Police Pension Scheme liabilities. This disclosure reflects the material nature of all 3 schemes in operation.

Pension payments to former civilians 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 2012-13 was 10.3%.
- 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 7 components:
  - i. *Current service cost* – the increase in liabilities as a result to years of service earned this year
  - ii. *Past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – this is debited to the surplus

- or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- iii. *Interest cost* – the expected increase in the expected value of liabilities during the year as they move one year closer to being paid. This is debited to the financing and investing income and expenditure line in the Comprehensive Income and Expenditure Statement
  - iv. *Expected return on assets* – the annual investment return on the fund assets attributable to the Group, based on an average of the expected long term return. This is credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
  - v. *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
  - vi. *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. This is debited to the pensions reserve.
  - vii. *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 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. In the absence of actuarial valuations for these staff in has been determined that a proxy for the value of actuarial gains and losses will be used to determine a value for the PCC's staff. This will be equivalent to 1% of the value of actuarial gains and losses on the Local Government Pension Scheme.

## 18. Interest

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

## 19. 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 2013. 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 accounted for within the cost of Police Services in the Comprehensive Income and Expenditure Statement but are not charged to SeRCOP service headings.

## 20. Council Tax Income

From 1 April 2009 the council tax precept income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. This accrued 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 statement of movement on the general fund balance (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.

## 21. 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.

## 22. 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:

- The Group has transferred the significant risks and rewards of ownership of the goods to the purchaser
- The Group retains neither continuing managerial involvement or effective control over the goods sold
- 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
- The costs of the transaction can be measured reliably

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

- 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.
- The stage of completion of the transaction can be reliably measured
- 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.

### **23. Value Added Tax**

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.

### **24. 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.

### **25. 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.

## **26. 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.

## **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 2013.

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.

### **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.

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

### **Opinion on the financial statements**

We have audited the financial statements for the Police and Crime Commissioner for West Midlands for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Group and Police and Crime Commissioner Movement in Reserves Statement, the Group and the Police and Crime Commissioner Single Entity Comprehensive Income and Expenditure Statement, the Group and Police and Crime Commissioner Balance Sheet, the Group and the Police and Crime Commissioner Cash Flow Statement and the related notes and include the police pension fund financial statements comprising the Fund Account, and the related notes. 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 2012/13.

This report is made solely to the Police and Crime Commissioner for West Midlands in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Treasurer to the Police and Crime Commissioner for West Midlands and auditor**

As explained more fully in the Statement of the Treasurer to the Commissioner's Responsibilities, the Treasurer 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, and for being satisfied that they 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 Single Entity and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. 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:

- give a true and fair view of the financial position of the Police and Crime Commissioner for West Midlands at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## **Other matters on which we are required to conclude**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the Police and Crime Commissioner has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in November 2012, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work.

As a result, we have concluded that there are no matters to report.

## Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



John Gregory  
Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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30 September 2013

## GROUP AND PCC MOVEMENT IN RESERVES STATEMENT 2012-13

This statement shows the movement in the year of the different reserves held by the PCCWM and 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 PCCWM'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 PCCWM.

	Revenue		Capital		Total Reserves			Total Group 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	£'000
<b>Balance at 31 March 2011</b>	<b>(8,042)</b>	<b>(71,076)</b>	<b>(18,561)</b>	<b>(21,327)</b>	<b>(119,006)</b>	<b>4,569,765*</b>	<b>4,450,759</b>	<b>4,450,759</b>
<b>Movements in Reserves during 2011/12</b>								
(Surplus) or deficit on the provision of services	248,680	0	0	0	248,680	0	248,680	248,680
Other Comprehensive Income and Expenditure	0	0	0	0	0	80,132	80,132	80,132
<b>Total Comprehensive Income and Expenditure (per the CIES)</b>	<b>248,680</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>248,680</b>	<b>80,132</b>	<b>328,812</b>	<b>328,812</b>
Adjustments between accounting and funding basis under regulations	(272,063)	0	(2,166)	4,992	(269,237)	269,237	0	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>(23,383)</b>	<b>0</b>	<b>(2,166)</b>	<b>4,992</b>	<b>(20,557)</b>	<b>349,369</b>	<b>328,812</b>	<b>328,812</b>
Transfer to/from Earmarked Reserves	19,383	(19,383)	0	0	0	0	0	0
Increase/Decrease during the year	(4,000)	(19,383)	(2,166)	4,992	(20,557)	349,369	328,812	328,812
<b>Balance as at 31 March 2012 carried forward</b>	<b>(12,042)</b>	<b>(90,459)</b>	<b>(20,727)</b>	<b>(16,335)</b>	<b>(139,563)</b>	<b>4,919,135</b>	<b>4,779,571</b>	<b>4,779,571</b>
<b>Movements in Reserves during 2012/13</b>								
(Surplus) or deficit on the provision of services	230,859	0	0	0	230,859	0	230,859	230,859
Other Comprehensive Income and Expenditure	0	0	0	0	0	824,167	824,167	824,167
<b>Total Comprehensive Income and Expenditure</b>	<b>230,859</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>230,859</b>	<b>824,167</b>	<b>1,055,026</b>	<b>1,055,026</b>
Adjustments between accounting and funding basis under regulations	(254,127)	0	(1,890)	(1,730)	(257,747)	257,747	0	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>(23,268)</b>	<b>0</b>	<b>(1,890)</b>	<b>(1,730)</b>	<b>(26,888)</b>	<b>1,081,914</b>	<b>1,055,026</b>	<b>1,055,026</b>
Transfer to/from Earmarked Reserves	23,268	(23,268)	0	0	0	0	0	0
Increase/Decrease during the year	0	(23,268)	(1,890)	(1,730)	(26,888)	1,081,914	1,055,026	1,055,026
<b>Balance as at 31 March 2013 carried forward</b>	<b>(12,042)</b>	<b>(113,728)</b>	<b>(22,617)</b>	<b>(18,065)</b>	<b>(166,451)</b>	<b>6,001,049</b>	<b>5,834,597</b>	<b>5,834,597</b>

\* Unusable reserves have been restated following a change in the accounting policy for Police Pensions (see accounting policy 17 Employee Benefits (sub section post employment benefits) on page 23.

The adjustments between accounting and funding basis under regulations are shown in detail in note 6.

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



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2012-13 - 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 26 to the Accounts.

2011-12 gross expenditure £'000	2011-12 gross income £'000	2011-12 net expenditure £'000	GROUP	Notes	2012-13 gross expenditure £'000	2012-13 gross income £'000	2012-13 net expenditure £'000
321,605	(22,344)	299,261	Local Policing		270,193	(21,403)	248,790
51,837	(934)	50,903	Dealing with the Public		57,514	(542)	56,972
37,757	(5,985)	31,772	Criminal Justice Arrangements		38,396	(5,883)	32,513
28,209	(5,050)	23,159	Roads Policing		22,456	(4,913)	17,543
40,371	(12,562)	27,809	Specialist Operations		32,921	(5,332)	27,589
39,004	(1,417)	37,587	Intelligence		39,725	(1,630)	38,095
127,512	(5,334)	122,178	Investigation		154,488	(5,055)	149,433
17,602	(231)	17,371	Investigative Support		15,961	(152)	15,809
36,493	(29,391)	7,102	National Policing		39,354	(35,675)	3,679
6,354	0	6,354	Non Distributed Costs	38	743	0	743
1,927	(251)	1,676	Corporate and Democratic Core		2,992	(1,388)	1,604
<b>708,671</b>	<b>(83,499)</b>	<b>625,172</b>	<b>Police Services Total</b>		<b>674,743</b>	<b>(81,973)</b>	<b>592,770</b>
2,127	0	2,127	Levies to National Police Service		2,314	0	2,314
1,233	(1,233)	0	Seconded Officers		1,198	(1,198)	0
<b>712,031</b>	<b>(84,732)</b>	<b>627,299</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>678,255</b>	<b>(83,171)</b>	<b>595,084</b>
0	(9,898)	(9,898)	Net (gain)/loss on disposal		146	0	146
3,106	0	3,106	Interest Payable and Similar Charges		3,075	0	3,075
	(2,200)	(2,200)	Interest and Investment Income		0	(2,262)	(2,262)
260,761		260,761	Pension Interest Cost and expected return on Pensions assets	38	242,075		242,075
	(45,249)	(45,249)	Pensions Top Up Grant Receivable		0	(53,330)	(53,330)
<b>975,898</b>	<b>(142,079)</b>	<b>833,819</b>	<b>NET OPERATING EXPENDITURE</b>		<b>923,551</b>	<b>(138,763)</b>	<b>784,789</b>
0	(79,610)	(79,610)	Council Tax Payer		0	(79,727)	(79,727)
0	(272,888)	(272,888)	Police Grant		0	(252,896)	(252,896)
0	(53,102)	(53,102)	Revenue Support Grant		0	(4,060)	(4,060)
0	(171,794)	(171,794)	Non-Domestic Rates		0	(209,457)	(209,457)
0	(7,743)	(7,743)	Non-Specific Government Grants		0	(7,789)	(7,789)
<b>975,898</b>	<b>(727,216)</b>	<b>248,680</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>923,551</b>	<b>(692,692)</b>	<b>230,860</b>

<b>(1,034)</b>	Surplus/(Deficit) on the revaluation of fixed assets	<b>1,678</b>
<b>81,166</b>	Actuarial (gains)/losses on pension fund assets and liabilities	<b>822,488</b>
<b>80,132</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>824,166</b>
<b>328,812</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>1,055,026</b>

The reduction in expenditure on Local Policing (formerly neighbourhood Policing) and the increase in expenditure on Investigation (formerly specialist investigation) are due to the movement of some costs from Local Policing to Investigation in the CIPFA Service Reporting Code of Practice.

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2012-13 – PCC (SINGLE ENTITY)**

2011-12 gross expenditure £'000	2011-12 gross income £'000	2011-12 net expenditure £'000	PCC	Notes	2012-13 gross expenditure £'000	2012-13 gross income £'000	2012-13 net expenditure £'000
35,910	(3,369)	32,541	Local Policing		32,688	(2,367)	30,321
6,056	(573)	5,483	Dealing with the Public		7,485	(542)	6,943
4,076	(358)	3,718	Criminal Justice Arrangements		4,272	(309)	3,963
2,858	(261)	2,597	Roads Policing		2,305	(167)	2,138
3,383	(313)	3,070	Specialist Operations		3,625	(262)	3,363
4,875	(423)	4,452	Intelligence		5,005	(362)	4,643
14,736	(1,375)	13,361	Investigation		19,633	(1,422)	18,211
2,132	(196)	1,936	Investigative Support		2,077	(150)	1,927
1,137	(80)	1,057	National Policing		483	(35)	448
1,628	0	1,628	Non Distributed Costs		0	0	0
1,926	(250)	1,676	Corporate and Democratic Core		2,992	(1,389)	1,603
<b>78,717</b>	<b>(7,198)</b>	<b>71,519</b>	<b>Total Cost of Services</b>		<b>80,565</b>	<b>(7,005)</b>	<b>73,560</b>
2,127	0	2,127	Levies to National Police Service		2,314	0	2,314
0	0	0	Seconded Officers		0	0	0
<b>80,844</b>	<b>(7,198)</b>	<b>73,646</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>82,879</b>	<b>(7,005)</b>	<b>75,874</b>
0	(9,898)	(9,898)	Net (gain)/loss on disposal		146	0	146
3,106	0	3,106	Interest Payable and Similar Charges		3,075	0	3,075
0	(2,200)	(2,200)	Interest and Investment Income		0	(2,262)	(2,262)
0	0	0	Pension Interest Cost and expected return on assets		0	0	0
0	0	0	Pensions Top Up Grant Receivable		0	0	0
<b>83,950</b>	<b>(19,296)</b>	<b>64,654</b>	<b>NET OPERATING EXPENDITURE</b>		<b>86,100</b>	<b>(9,267)</b>	<b>76,833</b>
0	(79,610)	(79,610)	Council Tax Payer		0	(79,727)	(79,727)
0	(272,888)	(272,888)	Police Grant		0	(252,896)	(252,896)
0	(53,102)	(53,102)	Revenue Support Grant		0	(4,060)	(4,060)
0	(171,794)	(171,794)	Non-Domestic Rates		0	(209,457)	(209,457)
0	(7,743)	(7,743)	Non-Specific Government Grants		0	(7,789)	(7,789)
<b>83,950</b>	<b>(604,433)</b>	<b>(520,483)</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES BEFORE FUNDING</b>		<b>86,100</b>	<b>(563,196)</b>	<b>(477,096)</b>
0	(1,034)	(1,034)	Surplus/(Deficit) on the revaluation of fixed assets		1,678	0	1,678
146	0	146	Actuarial (gains)/losses on pension fund assets and liabilities	38	408	0	408
<b>146</b>	<b>(1034)</b>	<b>(888)</b>	<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE BEFORE FUNDING</b>		<b>2,086</b>	<b>0</b>	<b>2,086</b>
<b>631,187</b>	<b>(77,534)</b>	<b>553,653</b>	<b>PCC funding to the CC for financial resources consumed</b>		<b>595,375</b>	<b>(76,165)</b>	<b>519,210</b>
<b>341,781</b>	<b>(45,249)</b>	<b>296,532</b>	<b>PCC funding to the CC for employment liabilities</b>		<b>1,064,155</b>	<b>(53,330)</b>	<b>1,010,825</b>
<b>1,057,064</b>	<b>(728,250)</b>	<b>(328,814)</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>1,747,717</b>	<b>(692,691)</b>	<b>1,055,026</b>

## GROUP AND PCC BALANCE SHEET 2012-13

The Balance Sheet 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. (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

	PCC as at 31 March 2012 £'000	Group as at 31 March 2012 £'000	PCC as at 31 March 2013 £'000	Group as at 31 March 2013 £'000	Notes
<b>Operational Assets:</b>					
Land and Buildings	109,228	109,228	91,685	91,685	8
Vehicles, Plant, Furniture and Equipment	22,735	22,735	18,852	18,852	8
<b>Non operational Assets:</b>					
Assets Under Construction	4	4	135	135	8
<b>Heritage Assets:</b>					
	186	186	186	186	9
<b>Intangible Assets:</b>					
Software	5,778	5,778	4,037	4,037	12
Long Term Investments	10,015	10,015	41,080	41,080	15
Long Term Debtors	12	12	0	0	
<b>Long Term Assets</b>					
	147,958	147,958	155,975	155,975	
Short Term Investments	80,495	80,495	61,736	61,736	15/21
Inventory	1,465	1,465	1,069	1,069	19
Short Term Debtors	42,380	42,380	35,561	35,561	20
Assets Held for Sale (< 1 year)	777	777	167	167	22
Cash and Cash Equivalents	51,566	51,566	70,741	70,741	21
<b>Current Assets</b>					
	176,683	176,683	169,275	169,275	
Short Term Borrowing	(994)	(994)	(1,028)	(1,028)	13/14
Bank Overdraft	(3,312)	(3,312)	0	0	21
Short Term Creditors	(35,587)	(35,587)	(34,258)	(34,258)	23
Accumulated Absences Creditor	0	(3,347)	0	(2,713)	25
Financial Guarantee to Chief Constable	(3,347)	0	(2,713)	0	
Provisions	(2,050)	(2,050)	(2,050)	(2,050)	40
<b>Current Liabilities</b>					
	(45,290)	(45,290)	(40,049)	(40,049)	
<b>Net Current Assets:</b>					
	131,393	131,393	129,226	129,226	
Capital Long Term Borrowing	(59,424)	(59,424)	(59,006)	(59,006)	14
Financial guarantee to the Chief Constable	(4,998,053)	0	(6,058,874)	0	
Pensions Liability	(1,444)	(4,999,497)	(1,917)	(6,060,791)	38
<b>Long Term Liabilities</b>					
	(5,058,921)	(5,058,921)	(6,119,797)	(6,119,797)	
<b>Net Assets</b>					
	(4,779,571)	(4,779,571)	(5,834,597)	(5,834,597)	
<b>Usable Reserves:</b>					
Usable Capital Receipts Reserve	(20,728)	(20,728)	(22,617)	(22,617)	6
Other Earmarked Reserves	(44,424)	(44,424)	(72,398)	(72,398)	7
General Fund Reserves	(12,042)	(12,042)	(12,042)	(12,042)	7
Budget Reserve	(33,035)	(33,035)	(28,330)	(28,330)	7
Redundancy and Equal Pay Reserve	(13,000)	(13,000)	(13,000)	(13,000)	7
Capital Grants Unapplied	(16,335)	(16,335)	(18,066)	(18,066)	6
	(139,564)	(139,564)	(166,453)	(166,453)	
<b>Unusable Reserves:</b>					
Capital Adjustment Account	(73,707)	(73,707)	(51,708)	(51,708)	25
Revaluation Reserve	(10,861)	(10,861)	(11,704)	(11,704)	25
Pensions Reserve	4,999,497	4,999,497	6,060,791	6,060,791	38
Financial Instrument Adjustment Account	796	796	565	565	25
Collection Fund Adjustment Account	63	63	392	392	25
Short Term Accumulated Compensated Absences Account	3,347	3,347	2,713	2,713	25
	4,919,135	4,919,135	6,001,050	6,001,050	
<b>Total Reserves</b>					
	4,779,571	4,779,571	5,834,597	5,834,597	

## CASH FLOW STATEMENT 2012-13

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 2012		Note	As at 31 March 2013	
£'000	£'000		£'000	£'000
<u>Operating Activities</u>				
EXPENDITURE				
539,841			514,713	
108,012			87,206	
3,106			3,075	
<b>650,959</b>			<b>604,993</b>	
CASH OUTFLOWS GENERATED FROM OPERATING ACTIVITIES				
INCOME				
(79,610)			(79,727)	
(171,795)			(209,457)	
(53,102)			(4,060)	
(339,454)			(319,219)	
(480)			(446)	
(2,200)			(2,262)	
(24,127)			(31,595)	
<b>(670,768)</b>			<b>(646,767)</b>	
CASH INFLOWS GENERATED FROM OPERATING ACTIVITIES				
	<b>(19,809)</b>			<b>(41,773)</b>
<b>Net cash flows from operating activities</b>				
<u>Investing activities</u>				
EXPENDITURE				
14,891			8,513	
10,015			31,065	
<b>24,906</b>			<b>39,578</b>	
CASH OUTFLOWS GENERATED FROM INVESTING ACTIVITIES				
INCOME				
(2,166)			(1,890)	
9,799			(18,820)	
<b>7,633</b>			<b>(20,710)</b>	
CASH INFLOWS GENERATED FROM INVESTING ACTIVITIES				
	<b>32,539</b>			<b>18,868</b>
<b>Net cash flows from investing activities</b>				
<u>Financing activities</u>				
347			418	
	<b>347</b>			<b>418</b>
<b>Net cash flows from financing activities</b>				
	<b>13,077</b>	47		<b>(22,487)</b>
Net (increase)/decrease in cash and cash equivalents				
	<b>61,331</b>	48		<b>48,254</b>
Cash and cash equivalents at the beginning of the reporting period				
	<b>48,254</b>	48		<b>70,741</b>
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 2012-13 (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.

### **International Accounting Standard 19 (IAS19): Employee Benefits (June 2011).**

Amendments to IAS19 are likely to have the biggest impact of the amendments listed here. Termination benefits will be required to be recognised at the point at which the employer cannot withdraw an offer.

The entry in the Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement for the Expected Return on Assets will be replaced by a transaction showing the Net Interest on the Defined Benefit Liability/Asset. This change is necessary to ensure the cost of providing retirement benefits continues to be recognised in the accounting periods in which the benefits are earned by the employees, (police officers and staff).

There will be changes to the pension assets and liability disclosures. Overall the volume of disclosures will increase, reflecting the importance of pensions, the requirement for transparency and the basis on which these are disclosed.

The amended standard requires entities to provide information that:

- Explains the characteristics of its defined benefits plans and the risks associated with them
- Identifies and explains the amounts in its financial statements arising from its defined benefits plans; and,
- Describes how its defined benefits plans may affect the amount, timing and uncertainty of the entity's future cash flows

Other changes to IAS19 will not impact on the Commissioner and Group accounts. Further details of the changes above will be provided in the 2013-14 accounts.

## 2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in pages 17 to 27 the PCCWM has had to make certain judgements about complex transactions involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- A fundamental judgement has been made in relation to the production of the Statement of Accounts for the Chief Constable and the PCCWM / Group. It has been determined that the PCCWM has effective control over the assets, liabilities income and expenditure of the Group and the accounting policies of the Group and the Chief Constable reflect the judgements that have been made in determining the accounting treatment for these assets, liabilities, income and expenditure.
- A judgement has been made about the costs to include in the financial statements for the Chief Constable and the impacts this has on the PCC / Group accounts. It has been determined that all pay related costs for police officers, PCSO's and police staff outside the Office for Policing and Crime will be shown in the Chief Constables accounts. Pension transactions for these groups of staff will be shown where the staff costs are presented per IAS 19. We have determined that the non pay costs within the support services element of the SeRCOP analysis will form part of the costs of the PCC

where these are attributable to the assets and liabilities of the PCC. Hence the PCC's Comprehensive Income and Expenditure Statement shows the cost of running the Office for Policing and Crime and the non pay related costs of the SeRCOP support functions as these have been determined to be under the direction and control of the PCC.

- It has been determined that the reserve set up for the settlement of equal pay claims made against the former Police Authority and to manage the costs of future redundancy payments shall be maintained at its existing level in 2013-14. This is thought to be prudent in relation to equal pay claims as a result of the claims that have been made and settled to date.
- There remain uncertainties about the future financial settlement for 2015-16 and beyond concerning the level of funding that the Commissioner will receive from Government and the limitations around future precept increases and impacts of Council Tax Benefits and Universal Credit changes.

### 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 2013 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 £155K for every year that useful lives have to be reduced. The Net Book Value of Property, Plant and Equipment as at 31 March 2013 is £114.9m (£139.0m in 2011-12)
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 2013 is £6,061m (£4,999m in 2011-12). 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 owing to them. This is expected to become more significant following the introduction of localised council tax benefit.	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. 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 at 31 March 2013 is £5.110m (5.063m in 2011-12)

#### 4. EVENTS AFTER THE BALANCE SHEET DATE

There were no adjusting or non adjusting post balance sheet events at the date that the PCC / Group accounts were authorised for issue.

#### 5. INTRA GROUP FUNDING ARRANGEMENTS BETWEEN THE POLICE AND CRIME COMMISSIONER AND THE CHIEF CONSTABLE

The PCC receives all funding on behalf of the Group. There is no transfer of real cash between the PCC and Chief Constable as the latter does not have a bank account into which monies can be received or paid from.

In order to accurately represent the substance of the financial impact of the day to day control exercised by the PCC over policing it is necessary to capture the costs of policing the West Midlands in the PCC's Comprehensive Income and Expenditure Statement. A judgement has been made that the PCC has effective control over the staff of the Office for Policing and Crime. As a consequence the employment liabilities associated with police staff under the PCC's direction and control are also contained in the Comprehensive Income and Expenditure Statement of this entity.

The Balance Sheet of the PCC contains a financial guarantee to the Chief Constable for the payment of pension liabilities which is matched by the overall pensions liability, and a financial guarantee for the payment of short term accumulated absences which is matched by a short term creditor to make these payments. All other assets and liabilities are held on the PCC's Balance Sheet.

Whilst no actual cash changes hands, the PCC has undertaken to fund the resources consumed by the Chief Constable. The PCC makes all payments from the police fund. To reflect this position in the financial statements funding from the PCC offsets all the expenditure contained in the Chief Constable's Comprehensive Income and Expenditure Statement and nets this statement off to nil. This intra-group adjustment is mirrored in the PCC's Comprehensive Income and Expenditure Statement.

The tables below summarise the intra group adjustments that have been disclosed within Police and Crime Commissioner's and Chief Constable's accounts in 2012-13.

<b>Comprehensive Income and Expenditure Statement</b>	<b>£'000s</b>
Financial resources of the PCCWM consumed at the request of the Chief Constable	519,210
Intra-Group Adjustment	(519,210)

<b>Balance Sheet</b>	<b>£'000s</b>
Long term liabilities for pensions	(6,058,874)
Long term debtor to the PCC	6,058,874
Creditor for accumulated absences	(2,713)
Financial guarantee from the PCC	2,713

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### 6. 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.

	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	(16,831)			(16,831)	16,831
Revaluation losses on Property, Plant and Equipment	(8,242)			(8,242)	8,242
Amortisation of intangible assets	(2,595)			(2,595)	2,595
Capital grants and contributions applied	6,054			6,054	(6,054)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,033)			(2,033)	2,033
de-mimimis capital purchases	(634)			(634)	634
<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)	2,109			2,109	(2,109)
Capital expenditure charged against the general fund balance	2,315			2,315	(2,315)
Voluntary provision above MRP	381			381	(381)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	7,784		(7,784)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(6,054)		6,054	0	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	1,890	(1,890)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure				0	0
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals				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	231			231	(231)
<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	(319,884)			(319,884)	319,884
Employers pensions contributions and direct payments to pensioners payable in the year	81,078			81,078	(81,078)
<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	(329)			(329)	329
<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	633			633	(633)
<b>TOTAL ADJUSTMENTS</b>	<b>(254,127)</b>	<b>(1,890)</b>	<b>(1,730)</b>	<b>(257,747)</b>	<b>257,747</b>

	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in Group 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	(21,798)			(21,798)	21,798
Revaluation losses on Property, Plant and Equipment	(1,764)			(1,764)	1,764
Amortisation of intangible assets	(1,758)			(1,758)	1,758
Capital grants and contributions applied	12,735			12,735	(12,735)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to the CIES	(3,658)			(3,658)	3,658
<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)	2,185			2,185	(2,185)
Capital expenditure charged against the general fund balance	3,000			3,000	(3,000)
Voluntary provision above MRP	346			346	(346)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CI ES	7,743		(7,743)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(12,735)		12,735	0	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	13,566	(13,566)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	11,400		11,400	(11,400)
<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	384			384	(384)
<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	(355,420)			(355,420)	355,420
Employers pensions contributions and direct payments to pensioners payable in the year	82,934			82,934	(82,934)
<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	(159)			(159)	159
<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	2,336			2,336	(2,336)
<b>TOTAL ADJUSTMENTS</b>	<b>(272,063)</b>	<b>(2,166)</b>	<b>4,992</b>	<b>(269,237)</b>	<b>269,237</b>

## 7. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amount set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2012-13.

	Balance at 31 March 2011	Trf to reserves in 2011-12	Trf from reserves in 2011-12	Balance at 31 March 2012	Trf to reserves in 2012-13	Trf from reserves in 2012-13	Trf between reserves in 2012-13	Balance at 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital	(4,400)	(6,000)	0	(10,400)	0	0	(30,000)	(40,400)
Budget reserve	0	(33,035)	0	(33,035)	(25,295)	0	30,000	(28,330)
Redundancy and Equal pay reserve	0	(13,000)	0	(13,000)	0	0		(13,000)
Self funded insurance	(13,763)	(3,006)	3,792	(12,977)	(2,506)	3,977		(11,506)
Devolved Budget	(4,754)	(3,719)	0	(8,473)	(343)	1,329		(7,487)
Uniform and protective equipment reserve	(5,639)	(429)	0	(6,068)	(429)	0		(6,498)
Mobile Data project reserve	(2,599)	0	0	(2,599)	0	0		(2,599)
Major incidents	(2,153)	0	0	(2,153)	0	0		(2,153)
Football overtime	(784)	0	0	(784)	0	0		(784)
New initiatives	(36,014)	0	36,014	0	0	0		0
Helicopter	(400)	0	0	(400)	0	0		(400)
Restructuring	(300)	0	0	(300)	0	0		(300)
Financial Instrument impairment reserve	(270)	0	0	(270)	0	0		(270)
<b>Earmarked Reserves</b>	<b>(71,076)</b>	<b>(59,189)</b>	<b>39,806</b>	<b>(90,459)</b>	<b>(28,573)</b>	<b>5,306</b>	<b>0</b>	<b>(113,728)</b>
<b>General Fund Reserves</b>	<b>(8,042)</b>	<b>(4,000)</b>	<b>0</b>	<b>(12,042)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,042)</b>

## NOTES TO THE BALANCE SHEET

### 8 PROPERTY, PLANT AND EQUIPMENT – MOVEMENT ON BALANCES

#### Movements in 2012-13

	Land and Buildings £'000	Vehicles, plant, furniture and equipment £'000	Assets under construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or valuation at 31 March 2012</b>	<b>128,968</b>	<b>84,789</b>	<b>4</b>	<b>213,761</b>
Additions in year	314	7,019	131	7,464
Transfers between categories	(160)	0	0	(160)
De Minimis	5	(590)	0	(585)
Disposals in year	(1,233)	(5,095)	0	(6,328)
Revaluation Gains in year	170	0	0	170
Revaluation Losses in year	(13,214)	0	0	(13,214)
Impairments in year	0	0	0	0
<b>Cost or valuation at 31 March 2013</b>	<b>114,850</b>	<b>86,123</b>	<b>135</b>	<b>201,108</b>
<b>Accumulated Depreciation at 31 March 2012</b>	<b>19,740</b>	<b>62,054</b>	<b>0</b>	<b>81,794</b>
Depreciation charge in year	6,660	10,171	0	16,831
Transfers between categories	(23)	0	0	(23)
Depreciation written out on revaluation	(826)	0	0	(826)
Depreciation written out on revaluation loss	(2,267)	0	0	(2,267)
Depreciation written out on impairment	0	0	0	0
Disposals in year	(118)	(4,954)	0	(5,072)
<b>Accumulated depreciation at 31 March 2013</b>	<b>23,166</b>	<b>67,271</b>	<b>0</b>	<b>90,437</b>
<b>Net Book Value at 31 March 2013</b>	<b>91,684</b>	<b>18,852</b>	<b>135</b>	<b>110,671</b>
<b>Net Book Value at 31 March 2012</b>	<b>109,228</b>	<b>22,735</b>	<b>4</b>	<b>131,967</b>

Interim valuations in 2012/13 were conducted on 20% of the Property Portfolio. These assets were valued at Fair Value based on Existing Use Value.



## Comparative Movements in 2011-12

	Land and Buildings £'000	Vehicles, plant, furniture and equipment £'000	Assets under construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or valuation at 31 March 2011</b>	<b>119,649</b>	<b>84,944</b>	<b>288</b>	<b>204,881</b>
Additions in year	12,222	7,494	2,177	21,893
Transfers between categories	2,451		(2,461)	(10)
De Minimis	(11)	(317)		(328)
Disposals in year	(2,955)	(5,394)		(8,349)
Revaluation Gains in year	(254)			(254)
Revaluation Losses in year	(1,953)			(1,953)
Impairments in year	(183)	(1,938)		(2,121)
<b>Cost or valuation at 31 March 2012</b>	<b>128,966</b>	<b>84,789</b>	<b>4</b>	<b>213,759</b>
<b>Accumulated Depreciation at 31 March 2011</b>	<b>13,615</b>	<b>55,379</b>	<b>0</b>	<b>68,994</b>
Depreciation charge in year	7,766	12,050		19,816
Transfers between categories				0
Depreciation written out on revaluation	(1,242)			(1,242)
Depreciation written out on revaluation loss	(77)			(77)
Depreciation written out on impairment	(68)	(425)		(493)
Disposals in year	(255)	(4,950)		(5,205)
<b>Accumulated depreciation at 31 March 2012</b>	<b>19,739</b>	<b>62,054</b>	<b>0</b>	<b>81,793</b>
<b>Net Book Value at 31 March 2012</b>	<b>109,227</b>	<b>22,735</b>	<b>4</b>	<b>131,966</b>
<b>Net Book Value at 31 March 2011</b>	<b>106,034</b>	<b>29,565</b>	<b>288</b>	<b>135,887</b>

## 9. HERITAGE ASSETS

The heritage assets held by the PCCWM are separated into 2 categories; Museum collection and Statues and Sculptures.

The West Midlands Police Museum at Sparkhill 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 reported in the Balance Sheet at insurance valuation which is based on market values. This value is £156,000.

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.

## 10. FUTURE CAPITAL COMMITMENTS

On 20 March 2013 The PCCWM agreed to a project to refurbish the Police Headquarters – Lloyd House as part of an estate strategy for central Birmingham which will see a reduction in the number of buildings that are used by the force in the city centre. As at 31 March 2013 no contracts have been exchanged in relation to the commencement of this work.

The refurbishment of Lloyd House is part of an estates strategy for Birmingham city centre which is expected to cost £30.9m over a 3 year period.

## 11. STATEMENT OF PHYSICAL ASSETS

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

	31 March 12	31 March 13
Operational Police Stations	39	39
Beat Offices	58	51
Police Administrative Buildings	6	5
Police Houses	38	28
Single Officers' Quarters	0	0
Stand alone Radio Aerials	2	2
Garages	2	1
Training Centres	4	4
Other Property	41	38

The above descriptions relate to the main function of each site. Police Stations are those stations which satisfy the latest Home Office criteria.

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.

## 12. INTANGIBLE ASSETS

The PCCWM accounts for its software as intangible assets, to the extent that 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:

	2011-12			2012-13		
	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	9,485	9,485	0	14,679	14,679
Accumulated amortisation	0	7,143	7,143	0	8,901	8,901
Net carrying amount at start of year	<b>0</b>	<b>2,342</b>	<b>2,342</b>	<b>0</b>	<b>5,778</b>	<b>5,778</b>
<u>Additions</u>						
Internal Development	0	0	0	0	0	0
Purchases	0	5,222	5,222	0	904	904
Disposals in year	0	0	0	0	0	0
Amortisation for the period	0	(1,758)	(1,758)	0	(2,595)	(2,595)
Transfer between categories	0	0	0	0	0	0
De Minimis	0	(28)	(28)	0	(50)	(50)
Net carrying amount at the end of the year						
<u>Comprising:</u>						
Gross carrying amounts	0	14,679	14,679	0	15,533	15,533
Accumulated amortisation	0	8,901	8,901	0	11,496	11,496
	<b>0</b>	<b>5,778</b>	<b>5,778</b>	<b>0</b>	<b>4,037</b>	<b>4,037</b>

### 13. FINANCIAL INSTRUMENTS

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

	Long Term at 31 March 2012 £'000	Long Term at 31 March 2013 £'000	Current at 31 March 2012 £'000	Current at 31 March 2013 £'000
Financial Liabilities at amortised cost	59,424	59,006	994	1,028
Total Borrowings	59,424	59,006	994	1,028
Loans and receivables	10,015	41,080	131,757	125,977*
Total Investments	10,015	41,080	131,757	125,977

\*Included with this figure is the amount of £64.2m representing investments with a maturity of less than 1 month. These are classified as cash equivalents. (See note 21)

### 14. LONG TERM BORROWING

Transactions undertaken during the year were as shown below:

	31 March 12 £'000	31 March 13 £'000
Opening Balance	(59,805)	(59,424)
External Loans Raised in Year	0	0
Loans Repaid in Year	381	*418
<b>Closing Balance</b>	<b>(59,424)</b>	<b>(59,006)</b>

\*principal repayments due in 2013/14 classed as short term borrowing

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

	31 March 12 £'000	31 March 13 £'000
Public Works Loan Board	(49,167)	(49,167)
W.M.C.C. Debt	(10,186)	(9,771)
Birmingham City Council	(71)	(68)
<b>Total</b>	<b>(59,424)</b>	<b>(59,006)</b>

The Public Works Loan Board advise that they have calculated the fair value of our PWLB borrowing as £62.1m as at 31 March 2012 and £63.2 as at 31 March 2013.

The fair value of West Midlands County Council debt has been calculated as £13.1m as at 31 March 2013.

The difference in valuation between what is shown in the above table and the fair value of the debt is because such debts are required to be carried in the accounts at their amortised cost. This 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 12	31 March 13
	£'000	£'000
PWLB accrued interest	613	610
W.M.C.C principal repayment	378	415
Birmingham City Council principal repayment	3	3
<b>Total</b>	<b>994</b>	<b>1,028</b>

These borrowings are repayable as follows:

	31 March 12	31 March 13
	£'000	£'000
Maturity within 5 years	4,934	5,160
Maturity within 6 to 10 years	7,102	10,474
Maturity within 11 to 15 years	12,556	8,576
Maturity in 15 or more years	35,826	35,824
<b>Total</b>	<b>60,418</b>	<b>60,034</b>

## 15. 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 12	31 March 13
	£'000	£'000
Short Term Investments (Banks, Building Societies, Local Authority)	131,757	*125,977
Long Term Investments	10,015	41,080
<b>Total</b>	<b>141,772</b>	<b>167,057</b>

\*Included with this figure is the amount of £64.2m representing investments with a maturity of less than 1 month. These are classified as cash equivalents. (See note 21)

Interest earned on investments has been credited to the Comprehensive Income and Expenditure Statement.

## 16. LONG TERM DEBTORS

These are debtors which fall due for repayment after the forthcoming accounting year, and related to Police Capital Receipts managed by Birmingham City Council. The final repayment was made during 2012/13 leaving a balance of nil at year end.

	31 March 12	31 March 13
	£'000	£'000
Other Local Authorities	12	0
<b>Total</b>	<b>12</b>	<b>0</b>

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments for 2012-13 are interest expense on financial liabilities of £3.1m (£3.1m in 2011-12) and interest income on loans and receivables of £2.3m (£2.2m in 2011-12).

## 17. 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 has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic Kroner in an escrow account due to the current imposition of currency controls.

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 is to not lend more than £30m 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 2013	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2013	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2013	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2014
	£'000	%	%	£'000	£'000
Deposits with Financial Institutions	167,057	0.13	1.00	762	1,745

Given that several institutions meeting our minimum credit rating criteria defaulted in 2008/09 (see note 18) it is important to note the estimated maximum exposure to default and uncollectability figure. Other than the information following there are no 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 14.

### **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.

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual 31 March 2012</b>	<b>Actual 31 March 2013</b>
	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Under 12 months	25	0	994	1,028
12 months and within 24 months	25	0	418	460
24 months and within 5 years	50	0	3,522	3,672
5 years and within 10 years	75	0	7,102	10,474
10 years and above	100	25	48,382	44,400
<b>Total</b>			<b>60,418</b>	<b>60,034</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

The PCCWM has no financial assets or liabilities, other than the Landsbanki Kroner escrow account, 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 other than that outlined in the following note.

### **18. DISCLOSURE NOTE ON ICELANDIC INVESTMENTS**

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and their UK subsidiaries went into Administration. West Midlands Police Authority had £5.4m deposited with Landsbanki, with varying maturity dates and interest rates as follows:

<b>Bank</b>	<b>Principal £'000</b>	<b>Date Invested</b>	<b>Interest Rate</b>	<b>Interest Due £'000</b>	<b>Impairment £'000</b>	<b>Repayment £'000</b>	<b>Carrying Value £'000</b>
Landsbanki	2,000	08-Sep-08	5.51%	385	585	965	835
Landsbanki	2,400	19-Sep-08	5.88%	484	742	1,154	988
Landsbanki	1,000	29-Sep-08	6.05%	205	312	483	410
<b>Total</b>	<b>5,400</b>			<b>1,074</b>	<b>1,639</b>	<b>2,602</b>	<b>2, 233</b>

The title to these investments has passed to the PCCWM and they are included in the current assets figure in the balance sheet. The carrying amounts of these investments have been calculated using the present value of the expected future repayments, discounted using the investments' original interest rates.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors will be determined by the administrators / receivers. Based on the latest information available, it is appropriate to consider an impairment adjustment for the deposits, and take the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years. Current information indicates that recovery of up to 100% could be achieved but this could take until 2018 to complete.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.35%. This element of the distribution has been retained in Iceland due to currency controls operating in Iceland and as a result is subject to exchange rate risk, over which the PCC has no control. Recovery is subject to the following uncertainties and risks; the impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the PCC's claim, which may be denominated wholly or partly in currencies other than sterling. Recoveries are expressed as a percentage of the PCC's claim in the administration, which it is expected to include interest accrued up to the original maturity dates as they fell before 22 April 2009.

The impairment recognised in the Income and Expenditure Account in 2012-13, £1.6m has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. Following the latest repayment by Landsbanki, in October 2012, CIPFA have revised their guidance on the estimate of the remaining monies; revising the assumptions on the size and number of instalments and the end date for repayment.

Adjustments to the assumptions will be made in future accounts as more information becomes available.



## 19. INVENTORIES

	Vehicle Fuel		Vehicle Parts		Uniforms		Stationery		Reprographics		Total	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	£000's		£000's		£000's		£000's		£000's		£000's	
Balance outstanding at start of year	296	471	158	129	1,044	786	60	42	43	37	1,601	1,465
Purchases	3,743	3,371	6	1	1,246	1,001	0	0	12	13	5,007	4,386
Recognised as an expense in year	(3,568)	(3,580)	(35)	(23)	(1,504)	(1,155)	(18)	(9)	(18)	(15)	(5,143)	(4,782)
Balance outstanding at year end	471	262	129	107	786	632	42	33	37	35	1,465	1,069

## 20. SHORT TERM DEBTORS

	31 March 2012	31 March 2013
	£'000	£'000
Central Government Bodies	19,752	20,953
Other Local Authorities	8,990	9,295
NHS Bodies	569	607
Public Corporations and Trading Funds	(46)	0
Other entities and individuals	13,115	4,706
<b>Total</b>	<b>42,380</b>	<b>35,561</b>

## 21. CASH AND CASH EQUIVALENTS

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

	31 March 2012	31 March 2013
	£'000	£'000
Cash held by the PCCWM	304	324
Bank Current Accounts	(3,312)	6,176
Short term deposits with financial institutions	51,262	64,241
<b>Total</b>	<b>48,254</b>	<b>70,741</b>

The short term deposits held with financial institutions recognised as cash equivalents have less than 1 month to maturity.

## 22. ASSETS HELD FOR SALE

	Non Current	
	2011-12	2012-13
	£'000	£'000
Balance outstanding at start of year	1,290	777
<i>Assets newly qualified as held for sale:</i>		
Property, plant and equipment	0	137
Revaluation losses	0	0
Revaluation gains	0	30
<i>Assets declassified as held for sale:</i>		
Property, plant and equipment	0	0
Assets sold	(513)	(777)
Transfers from non current to current assets	0	0
<b>Total</b>	<b>777</b>	<b>167</b>

## 23. SHORT TERM CREDITORS

	31 March 2012	31 March 2013
	£'000	£'000
Central Government Bodies	11,754	9,905
Other Local Authorities	10,399	8,792
NHS Bodies	72	0
Public Corporations and Trading Funds	95	88
Other entities and individuals	13,268	15,473
<b>Total</b>	<b>35,588</b>	<b>34,258</b>

## 24. USABLE RESERVES

Movements in the Groups usable reserves are detailed in the Movement in Reserves Statement and Note 7.

## 25. UNUSABLE RESERVES

	31 March 2012 £'000	31 March 2013 £'000
Revaluation Reserve	(10,861)	(11,704)
Capital Adjustment Account	(73,707)	(51,707)
Financial Instrument Adjustment Account	796	565
Pensions Reserve	4,999,497	6,060,791
Collection Fund Adjustment Account	63	392
Accumulated Absences Account	3,347	2,713
<b>Total</b>	<b>4,919,135</b>	<b>6,001,050</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.

	2011-12 £'000	2012-13 £'000
Balance at 1 April	<b>(11,713)</b>	<b>(10,861)</b>
Adjustment to opening balance	0	(3,756)
Upward revaluation of assets	(1,145)	(1,026)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	111	2,705
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(1,034)	(2,077)
Difference between fair value depreciation and historical cost depreciation	748	634
Accumulated gains on assets sold or scrapped	1,138	600
Amount written off to the Capital Adjustment Account	1,886	1,234
Balance as at 31 March	<b>(10,861)</b>	<b>(11,704)</b>

The adjustment to the opening balance relates to a correction of depreciation which was not credited to the Revaluation Reserve from the Capital Adjustment Account in previous years.

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

	2011-12	2012-13
	£'000	£'000
Balance at 1 April	(71,134)	(73,707)
Adjustment to Revaluation Reserve	0	3,756
<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	20,695	16,196
Revaluation losses on Property, Plant and Equipment	1,764	8,242
Amortisation of intangible assets	1,758	2,595
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	2,520	1,434
	26,737	28,467
<b>Adjusting amounts written out</b>	356	635
<b>Net written out amount of the cost of non current assets consumed in the year</b>	27,093	29,102
<i>Capital financing applied in year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(11,400)	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,138)	(1,443)
Application of grants to capital financing from the Capital Grants Unapplied Account	(10,597)	(4,610)
Statutory provision for the financing of capital investment charged against the General Fund balance	(2,185)	(2,109)
Voluntary Provision for the repayment of debt	(346)	(381)
Capital expenditure charged against the General Fund balance	(3,000)	(2,315)
Balance as at 31 March	(73,707)	(51,707)

## Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The PCCWM uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

	2011-12 £'000	2012-13 £'000
Balance at 1 April	1,180	796
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0	0
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(384)	(231)
<b>Balance as at 31 March</b>	<b>796</b>	<b>565</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 PCCWM 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 PCCWM 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 PCCWM 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 2012 £'000	31 March 2013 £'000
Balance at 1 April	4,645,845	4,999,497
Actuarial gains and losses on pensions assets and liabilities	81,166	822,488
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	355,420	319,884
Employers' pensions contributions and direct payments to pensioners payable in the year	(82,934)	(81,078)
<b>Balance as at 31 March</b>	<b>4,999,497</b>	<b>6,060,791</b>

The table above shows the group position regarding the pensions reserve. The corresponding pensions liability is partially split in the Balance Sheet to recognise a portion of the liability which represents the liability of the PCC to pay pensions to the staff within the Office for Policing and Crime.

### 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 2012 £'000	31 March 2013 £'000
<b>Balance at 1 April</b>	<b>(96)</b>	<b>63</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	159	329
<b>Balance at 31 March</b>	<b>63</b>	<b>392</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. These are met by a financial guarantee from the PCC to the Chief Constable to make these payments as they fall due.

	2011-12 £'000	2012-13 £'000
<b>Balance at 1 April</b>	<b>5,683</b>	<b>3,347</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	5,683	3,347
Amounts by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory provisions	(2,336)	(634)
<b>Balance at 31 March</b>	<b>3,347</b>	<b>2,713</b>

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2011-12 PCC Outturn £'000	2011-12 Group Outturn £'000		2012-13 PCC Outturn £'000	2012-13 Group Outturn £'000
0	460,283	Police Pay and Allowances	0	442,076
925	125,902	Police Staff and PCSO Pay and Allowances	1,394	122,007
948	5,054	Other Employee Expenses	1,251	4,217
<b>1,873</b>	<b>591,239</b>	<b>Sub Total Employee Costs</b>	<b>2,645</b>	<b>568,300</b>
19,977	21,899	Premises Related Costs	17,938	20,685
8,586	12,406	Transport/Travel Costs	8,565	11,466
22,944	47,843	Supplies & Services	23,419	43,201
2,304	8,757	Agency Expenses	2,654	6,202
22,930	22,930	Capital Financing Costs	27,658	27,658
<b>78,613</b>	<b>705,074</b>	<b>TOTAL GROSS EXPENDITURE</b>	<b>82,879</b>	<b>677,512</b>
(6,594)	(84,129)	External Income	(7,005)	(83,171)
1,628	6,354	Non-Distributed Costs	0	743
<b>73,646</b>	<b>627,299</b>	<b>NET COST - GENERAL FUND SERVICES</b>	<b>75,874</b>	<b>595,084</b>

The subjective analysis in the table above shows the cost 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 this entity controls the capital financing decisions of the Group.

A portion of non distributed costs shown in the PCC accounts in 2011-12 relates to an impairment charge on fixed assets.

## 27. 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 is as follows:

PCCWM  
Service Information

For the year ended 31 March 2013

	ACC Crime, PPU & Intelligence's Portfolio	ACC Local Policing's Portfolio	ACC Operations Portfolio	ACC Security	Chief Information Officer's Portfolio	Deputy Chief Constable's Portfolio	Director of Resources's Portfolio	Force Solicitor's Portfolio	West Midlands Office for Policing and Crime	Other	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Other Income	-4,892	-841	-20,734	-878	-1,573	-365	-1,875	-183	-0	-91,141	-122,481
Government Grant	0	0	-1,428	-27,093	0	0	0	0	-1,389	-15,904	-45,813
<b>Total Income</b>	<b>-4,892</b>	<b>-841</b>	<b>-22,161</b>	<b>-27,971</b>	<b>-1,573</b>	<b>-365</b>	<b>-1,875</b>	<b>-183</b>	<b>-1,389</b>	<b>-107,045</b>	<b>-168,294</b>
Employee Expenses	146,687	135,733	112,419	74,752	8,135	11,401	14,665	718	1,123	99,083	604,716
Other Operating Expenses	9,563	1,022	11,761	7,660	13,062	2,281	30,884	958	1,958	6,932	86,081
<b>Total Operating Expenses</b>	<b>156,250</b>	<b>136,755</b>	<b>124,180</b>	<b>82,413</b>	<b>21,197</b>	<b>13,682</b>	<b>45,549</b>	<b>1,676</b>	<b>3,080</b>	<b>106,014</b>	<b>690,797</b>
Contribution to / from Reserves	0	0	0	0	0	0	0	0	0	23,967	23,967
<b>Net Expenditure</b>	<b>151,358</b>	<b>135,915</b>	<b>102,019</b>	<b>54,442</b>	<b>19,624</b>	<b>13,317</b>	<b>43,674</b>	<b>1,494</b>	<b>1,692</b>	<b>22,936</b>	<b>546,470</b>



Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2012-13 £000s
Cost of Services in Service Analysis (as above)	546,470
Add services not included in main analysis	52,214
Add amounts not reported to management	159,494
Income and Expenditure Statement	(163,094)
Add Corporate Amounts	459,942
<b>Net cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>1,055,026</b>

2012-13

**Reconciliation to Subjective Analysis**

	Service Analysis £000s	Treated as Corporate Amount £000s	Not reported to mgmt £000s	Not included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(122,481)	53,330	(373)	32,200	(37,324)	0	(37,324)
Interest and investment income	0	0	0	0	0	(2,262)	(2,262)
Top Up Grant	0	0	0	0	0	(53,330)	(53,330)
Government grants and contributions	(45,813)	0	(34)	0	(45,847)	0	(45,847)
<b>Total Income</b>	<b>(168,294)</b>	<b>53,330</b>	<b>(407)</b>	<b>32,200</b>	<b>(83,171)</b>	<b>(55,591)</b>	<b>(138,763)</b>
					0		
Employee expenses	604,716	0	129,394	(165,783)	568,327	0	568,327
Other operating expenses	86,081	(1,116)	30,508	(5,545)	109,928	0	109,928
Pension & Interest costs	0	0	0	0	0	242,075	242,075
Interest Payments	0	0	0	0	0	3,075	3,075
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	146	146
<b>Total operating expenses</b>	<b>690,797</b>	<b>(1,116)</b>	<b>159,902</b>	<b>(171,327)</b>	<b>678,255</b>	<b>245,297</b>	<b>923,551</b>
<b>Contribution to / from Reserves</b>	<b>23,967</b>	<b>0</b>	<b>0</b>	<b>(23,967)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Operating Expenditure</b>	<b>546,470</b>	<b>52,214</b>	<b>159,494</b>	<b>(163,094)</b>	<b>595,084</b>	<b>189,705</b>	<b>784,789</b>
Council Tax Payer	0	0	0	0	0	(79,727)	(79,727)
Police Grant (including Rule 2)	0	0	0	0	0	(252,896)	(252,896)
Revenue Support Grant	0	0	0	0	0	(4,060)	(4,060)
Non-Domestic Rates	0	0	0	0	0	(209,457)	(209,457)
Non-Specific Government Grants	0	0	0	0	0	(7,789)	(7,789)
<b>(Surplus)/Deficit for the year</b>	<b>546,470</b>	<b>52,214</b>	<b>159,494</b>	<b>(163,094)</b>	<b>595,084</b>	<b>(364,224)</b>	<b>230,860</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	1,678	1,678
Actuarial (gains)/losses on pension fund assets and liabilities	0	0	0	0	0	822,488	822,488
Collection fund adjustment account	0	0	0	0	0	0	0
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>546,470</b>	<b>52,214</b>	<b>159,494</b>	<b>(163,094)</b>	<b>595,084</b>	<b>459,942</b>	<b>1,055,026</b>

2011-2012 Restated Segment

	ACC Crime, PPU & Intelligence's Portfolio	ACC Local Policing's Portfolio	ACC Operations Portfolio	ACC Security	Chief Information Officer's Portfolio	Deputy Chief Constable's Portfolio	Director of Resources's Portfolio	Force Solicitor's Portfolio	West Midlands Office for Policing and Crime /Police Authority	Other	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Other Income	(4,459)	(2,619)	(14,487)	(1,089)	(1,842)	(111)	(1,797)	(23)	(19)	(3,700)	(30,146)
Government Grant	0	0	(1,534)	(25,389)	0	0	0	0	(232)	(24,968)	(52,123)
<b>Total Income</b>	<b>(4,459)</b>	<b>(2,619)</b>	<b>(16,021)</b>	<b>(26,478)</b>	<b>(1,842)</b>	<b>(111)</b>	<b>(1,797)</b>	<b>(23)</b>	<b>(251)</b>	<b>(28,668)</b>	<b>(82,269)</b>
Employee Expenses	151,977	132,111	119,428	83,323	8,221	17,862	14,553	733	1,012	11,979	541,199
Other Operating Expenses	12,918	3,380	12,258	8,177	13,918	6,248	29,949	426	993	10,336	98,603
<b>Total Operating Expenses</b>	<b>164,895</b>	<b>135,491</b>	<b>131,686</b>	<b>91,500</b>	<b>22,139</b>	<b>24,110</b>	<b>44,502</b>	<b>1,159</b>	<b>2,005</b>	<b>22,315</b>	<b>639,802</b>
Contribution to / from Reserves	0	0	0	0	0	0	0	0	0	20,021	20,021

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2011-12 £000s
Cost of Services in Service Analysis (as above)	577,554
Add services not included in main analysis	43,929
Add amounts not relevant to management	161,065
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(155,249)
Add Corporate Amounts	(298,486)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>328,812</b>

2011-12

## Reconciliation to Subjective Analysis

	Service Analysis £000s	Treated as Corporate Amount £000s	Not relevant to mgmt £000s	Not included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(30,147)	0	(1,860)	0	(32,007)	0	(32,007)
Interest and investment income	0	0	0	0	0	(2,200)	(2,200)
Top Up Grant	0	0	0	0	0	(45,250)	(45,250)
Government grants and contributions	(52,122)	0	0	0	(52,122)	0	(52,122)
<b>Total Income</b>	<b>(82,269)</b>	<b>0</b>	<b>(1,860)</b>	<b>0</b>	<b>(84,129)</b>	<b>(47,449)</b>	<b>(131,578)</b>
Employee expenses	541,199	45,250	133,173	(128,239)	591,383	0	591,383
Other operating expenses	98,603	(1,320)	29,752	(6,990)	120,045	0	120,045
Pension & Interest costs	0	0	0	0	0	260,761	260,761
Interest Payments	0	0	0	0	0	3,106	3,106
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(9,898)	(9,898)
<b>Total operating expenses</b>	<b>639,802</b>	<b>43,929</b>	<b>162,925</b>	<b>(135,228)</b>	<b>711,428</b>	<b>253,969</b>	<b>965,397</b>
<b>Contribution to / from Reserves</b>	<b>20,021</b>	<b>0</b>	<b>0</b>	<b>(20,021)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Operating Expenditure</b>	<b>577,554</b>	<b>43,929</b>	<b>161,065</b>	<b>(155,249)</b>	<b>627,299</b>	<b>206,520</b>	<b>833,819</b>
Council Tax Payer	0	0	0	0	0	(79,610)	(79,610)
Police Grant (including Rule 2)	0	0	0	0	0	(272,888)	(272,888)
Revenue Support Grant	0	0	0	0	0	(53,102)	(53,102)
Non-Domestic Rates	0	0	0	0	0	(171,794)	(171,794)
Non-Specific Government Grants	0	0	0	0	0	(7,743)	(7,743)
<b>(Surplus)/Deficit for the year</b>	<b>577,554</b>	<b>43,929</b>	<b>161,065</b>	<b>(155,249)</b>	<b>627,299</b>	<b>(378,618)</b>	<b>248,680</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	(1,034)	(1,034)
Actuarial (gains)/losses on pension fund assets and liabilities	0	0	0	0	0	81,166	81,166
Collection fund adjustment account	0	0	0	0	0	0	0
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>577,554</b>	<b>43,929</b>	<b>161,065</b>	<b>(155,249)</b>	<b>627,299</b>	<b>(298,486)</b>	<b>328,812</b>

## 28. AGENCY EXPENDITURE

	PCC 31 March 2012 £'000	Group 31 March 2012 £'000	PCC 31 March 2013 £'000	Group 31 March 2013 £'000
Forensic Science Service	0	3,253	0	2,098
National Policing Improvement Agency	2,134	2,134	1,546	1,546
National Ballistics Intelligence Service	0	610	0	550
Other agency expenditure	170	2,760	1,108	2,008
<b>Total agency expenditure</b>	<b>2,304</b>	<b>8,757</b>	<b>2,654</b>	<b>6,202</b>

Agency expenditure is included within the net cost of policing services (see note 26) in the group accounts. Agency expenditure in the Chief Constable's accounts excludes levies and some support costs.

## 29. MEMBERS ALLOWANCES

The cost of allowances paid to members of the former Police Authority until its abolition on 15 November 2012 is shown in the table below:

	2011-12 £'000	2012-13 £'000
Basic Allowances	196	124
Special Responsibility Allowances	29	18
Travelling and Subsistence Allowances	29	19
Other Allowances	12	7
<b>Total Members Allowances</b>	<b>266</b>	<b>168</b>

Allowances paid to members of the Police and Crime Commissioners' Strategic Policing and Crime Board are not disclosed in the table above because members of this board were not appointed until after 31 March 2013.

### 30. EMPLOYEE REMUNERATION

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

2011-12 Police officers	2011-12 Police staff	2011-12 Total	Earnings Band	2012-13 Police Officers	2012-13 Police Staff	2012-13 Total
7,662	4,665	12,327	Less than £49,999	7,415	4,436	11,851
368	7	375	£50,000 - £54,999	263	12	275
193	11	204	£55,000 - £59,999	198	12	210
26	6	32	£60,000 - £64,999	33	7	40
12	4	16	£65,000 - £69,999	11	3	14
9	1	10	£70,000 - £74,999	12	2	14
15	0	15	£75,000 - £79,999	13	0	13
10	2	12	£80,000 - £84,999	4	2	6
8	2	10	£85,000 - £89,999	12	0	12
8	2	10	£90,000 - £94,999	1	1	2
0	0	0	£95,000 - £99,999	1	1	2
0	1	1	£100,000 - £104,999	0	0	0
1	1	2	£105,000 - £109,999	1	2	3
1	0	1	£110,000 - £114,999	2	0	2
0	0	0	£115,000 - £119,999	0	0	0
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	1	0	1
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	0	0	0
0	0	0	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	0	0	0
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
0	0	0	£185,000 - £189,999	0	0	0
1	0	1	£190,000 - £194,999	1	0	1
<b>8,315</b>	<b>4,702</b>	<b>13,017</b>	<b>Totals</b>	<b>7,968</b>	<b>4,478</b>	<b>12,446</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.

## 31. SENIOR OFFICERS REMUNERATION

This note has been prepared in accordance with statutory instrument 3322 (2009) as an amendment to the Account and Audit (Amendment no. 2) (England) Regulations 2009. This aims to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with stewardship of the organisation. In respect of the former West Midlands Police Authority in the comparative information for 2011-12, the information is reported for the Chief Executive of the Police Authority and the senior command team of the police force. The regulations require that persons whose annual salary is more than £150,000 are identified by their job title and their name, and that senior employees and relevant police officers earning more than £50,000 (but less than £150,000) are identified by the job title.

### Senior Officers' remuneration in 2012-13

Post holder information	Notes	Salary (including fees and allowances) (£000's)	Compensation for loss of office (£000's)	Benefits in kind (£000's)	Total remuneration excluding employer pension contributions (£000's)	Employers pensions contributions (£000's)	Total remuneration including employer pension contributions (£000's)
<b>Police and Crime Commissioner for West Midlands</b>							
Police and Crime Commissioner Mr Bob Jones	<i>Note 1</i>	37.2	0.0	0.0	37.2	0.9	38.1
Deputy Police and Crime Commissioner Ms Yvonne Mosquito	<i>Note 2</i>	22.2	0.0	0.0	22.2	2.3	24.5
West Midlands Office for Policing and Crime - Chief Executive		105.9	0.0	6.7	112.6	10.9	123.5
West Midlands Office for Policing and Crime - Chief Finance Officer (section 151 officer)	<i>Note 3</i>	20.9	0.0	0.0	20.9	0	20.9
West Midlands Office for Policing and Crime - Legal Advisor	<i>Note 4</i>	41.4	0.0	0	41.4	4.3	45.7
Temporary Director of Resources	<i>Note 5</i>	106.4	0.0	6.4	112.8	11.0	123.8
Force Solicitor	<i>Note 6</i>	99.8	0.0	0.0	99.8	10.0	109.8
Chief Information Officer		93.5	0.0	0.0	93.5	9.6	103.1
		<b>527.3</b>	<b>0.0</b>	<b>13.1</b>	<b>540.4</b>	<b>49.0</b>	<b>589.4</b>

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

Note 1: Police and Crime Commissioner Bob Jones took up his post on 22nd November 2012. His annual salary is £100,000

Note 2: Deputy Police and Crime Commissioner Yvonne Mosquito took up her post on 22 November 2012. Her annual salary is £65,000

Note 3: The West Midlands Office for Policing and Crime Chief Finance Officer (formerly the Police Authority Treasurer) is employed for 0.2FTE. The post holders annualised salary is £104,600

Note 4: The West Midlands office for Policing and Crime Legal Advisor is employed for 0.61FTE. The post holders annualised Equivalent salary is £83,800

Note 5: The Temporary Director of Resources has been in this post since November 2011.

Note 6: The Force Solicitor retired from this post in February 2013.

Post holder information	Notes	Salary (including fees and allowances) (£000's)	Other payments (police officers only) (£000's)	Total remuneration per note30 (£000's)	Compensation for loss of office (£000's)	Benefits in kind (£000's)	Total remuneration excluding employer pension contributions (£000's)	Employers pensions contributions (£000's)	Total remuneration including employer pension contributions (£000's)
<b>CCWMP</b>									
Chief Constable C Sims		181.5	11.2	192.7	0.0	2.9	195.6	0	195.6
Deputy Chief Constable		139.2	3.1	142.3	0.0	5.3	147.6	33.3	180.9
Assistant Chief Constable (1)		106.0	4.6	110.6	0.0	5.2	115.8	25.6	141.4
Assistant Chief Constable (2)		102.8	4.6	107.4	0.0	6.1	113.5	24.9	138.4
Assistant Chief Constable (3)		96.8	0.6	97.4	0.0	5.3	102.7	23.4	126.1
Assistant Chief Constable (4)		105.8	5.7	111.5	0.0	3.9	115.4	25.6	141.0
		<b>732.1</b>	<b>29.8</b>	<b>761.9</b>	<b>0.0</b>	<b>28.7</b>	<b>790.6</b>	<b>132.8</b>	<b>923.4</b>

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

## Senior Officers' remuneration 2011-12

Post holder information	Notes	Salary (including fees and allowances) (£000's)	Other payments (police officers only) (£000's)	Total remuneration per note 30 (£000's)	Compensation for loss of office (£000's)	Benefits in kind (£000's)	Total remuneration excluding employer pension contributions (£000's)	Employers pensions contributions (£000's)	Total remuneration including employer pension contributions (£000's)
<b>West Midlands Police Authority</b>									
Chief Executive		105.9	0	105.9	0	7.0	112.9	10.9	123.8
Treasurer (Section 151 officer)	Note 1	20.9	0	20.9	0	0.0	20.9	0	20.9
Legal Advisor	Note 2	27.1	0	27.1	0	0.0	27.1	2.8	29.9
<b>West Midlands Police Force</b>									
Chief Constable C Sims		181.5	10.6	192.1	0.0	2.5	194.6	0	194.6
Deputy Chief Constable		139.2	3.1	142.3	0.0	5.0	147.3	31.1	178.4
Assistant Chief Constable (1)		105.9	4.6	110.5	0.0	5.1	115.6	25.6	141.2
Assistant Chief Constable (2)		94.4	0.1	94.5	0.0	5.1	99.6	22.9	122.5
Assistant Chief Constable (3)	Note 3	86.8	4.5	91.3	0.0	4.1	95.4	21	116.4
Assistant Chief Constable (4)		102.4	4.6	107.0	0.0	5.7	112.7	24.8	137.5
Assistant Chief Constable (5)	Note 4	30.2	1.3	31.5	0.0	0.0	31.5	7.3	38.8
Director of Resources	Note 5	72.5	0.0	72.5	29.6	3.2	105.3	7.5	112.8
Temporary Director of Resources	Note 6	33.4	0.0	33.4	0.0	0.0	33.4	3.8	37.2
Force Solicitor		87.4	0.0	87.4	0.0	0.0	87.4	9.0	96.4
Chief Information Officer		91.5	0.0	91.5	0.0	0.0	91.5	9.4	100.9
		<b>1,179.1</b>	<b>28.8</b>	<b>1,207.9</b>	<b>29.6</b>	<b>37.7</b>	<b>1,275.2</b>	<b>176.1</b>	<b>1,451.3</b>

Note 1: The Police Authority Treasurer is employed for 0.20 FTE. The post holders' full time equivalent salary is £104,600

Note 2: The Police Authority Legal Advisor is employed for 0.325 FTE. The post holders' full time equivalent salary is £83,400

Note 3: Assistant Chief Constable (3) joined West Midlands Police on 06 June 2011. The post holders' annualised salary is £105,800

Note 4: Assistant Chief Constable (5) is a Chief Superintendent who acted in the role of Assistant Chief Constable between April and July 2011

Note 5: The Director of Resources retired from West Midlands Police in October 2011. The post holders' annualised salary was £118,600. The post holder received 3 months pay in lieu of notice on retirement.

Note 6: The Temporary Director of Resources commenced this role in November 2011. The post holders' annualised salary is £106,400



### 32. TERMINATION BENEFITS

The 2012-13 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	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12 £'000	2012-13 £'000
£0 - £19,999	14	3	175	121	189	124	1,425	750
£20,000 - £39,999	0	0	64	13	64	13	1,795	354
£40,000 - £59,999	0	0	25	5	25	5	1,165	242
£60,000 - £79,999	0	0	4	2	4	2	252	145
£80,000 - £99,999	0	0	1	1	1	1	84	93
£100,000 - £149,999	0	0	0	1	0	1	0	106
<b>Total</b>	<b>14</b>	<b>3</b>	<b>269</b>	<b>143</b>	<b>283</b>	<b>146</b>	<b>4,721</b>	<b>1,690</b>

The costs shown in the table above relate only to the payments made to individuals who have been made redundant or whose redundancy has been agreed as at 31 March 2013 but who have not left the Group at the Balance Sheet date.

### 33. EXTERNAL AUDIT COSTS

In 2012-13 the PCCWM incurred the following fees relating to external audit:

	2011-12 £'000	2012-13 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	0	63
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	88	(5)
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns (estimate)	0	0
Fees payable in respect of other services provided by the appointed auditor	0	0

The appointed auditor in 2012-13 was Grant Thornton UK LLP. As they were not appointed until September 2012 they did not provide any services to the PPCWM in 2011-12. The fee level for 2011-12 was for the former Police Authority as a single entity. The fee level shown above for 2012-13 is for audit work to be carried out for the PCCWM. There is a further fee of £30,000 for the Chief Constable of West Midlands Police making a total fee of £93,000 for the Police and Crime Commissioner Group.

The PPCWM received a rebate of £4,560 for audit fees from the Audit Commission due to further cost reductions within their business in 2012-13.

## GROUP POSITION

	Police and Crime Commissioner		Group	
	2011-12 £'000	2012-13 £'000	2011-12 £'000	2012-13 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	0	63	0	93
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	88	(5)	88	(7)
Fees payable to the Audit Commission in respect of statutory inspection	0	0	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns (estimate)	0	0	0	0
Fees payable in respect of other services provided by the appointed auditor	0	0	0	0

The fee payable to the audit commission in 2011-12 was based on an audit fee of £97,340. The value shown in financial ledgers was £88,000 due to an over accrual of expenditure from the previous year.

### 34. GRANT INCOME

The PCCWM credited the following grants to the Comprehensive Income and Expenditure Statement in 2012-13

	2011-12 £'000	2012-13 £'000
<i>Credited to Taxation and Non Specific Grant Income</i>		
Police Grant	272,888	252,895
Capital Grants Applied	7,743	7,789
Pensions top up grant receivable	45,249	53,330
<b>Total</b>	<b>325,880</b>	<b>314,014</b>
<i>Credited to Police Services</i>		
Loan Charges Grant	604	0
Community Support Officer Grant	15,998	15,904
DIP Grant	2,175	2,066
Counter Terrorism Grant	26,922	28,520
Disorder Grant	7,211	1,388
Council Tax Freeze Grant	1,991	2,399
Other Grants	3,922	8,222

## **35. 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 34 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 £17.99m in 2012-13 (£17.62m in 2011-12). 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 former Police Authority had direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2012-13 is shown in note 29. All former members of the Authority, Board members of the PCCWM and Chief Officers have signed a declaration regarding related party transactions.

One former Police Authority member sits on the commissioning board for a body which received a small grant from the Community Initiatives Fund in 2012-13.

The nature and amount of these transactions do not have any material effect on the accounts.

### **Officers**

No officers of the PCCWM or Chief Officers of the Force have declared any related party transactions in 2012-13.

### **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 Staffordshire and West Mercia Police Authorities. Transactions and balances in relation to this jointly controlled operation are detailed in note 49.

Transactions with related parties who are not Police Authority members, PCCWM officers or Chief Officers are shown in the debtor and creditor balances in notes 20 and 23 respectively.

### 36. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2011-12 Outturn £'000		2012-13 Programme £'000	2012-13 Outturn £'000
	Property Plant and Equipment comprising:		
	Land and Buildings:		
14,260	New Police Buildings	0	0
139	Improvements and Adaptations	200	320
	Vehicles and Equipment:		
4,071	Vehicles	3,000	3,047
8,106	IT/Radio Equipment	5,733	2,800
495	Other Equipment	1,750	2,127
44	Casualty Partnership / NABIS	0	46
0	Helicopter	0	28
20	Heritage Assets	0	0
<b>27,135</b>	<b>TOTAL</b>	<b>10,683</b>	<b>8,368</b>
	<b>FINANCING OF EXPENDITURE</b>		
12,735	Capital Grants	5,868	6,053
0	Credit Approvals	0	0
11,400	Capital Receipts	2,500	0
3,000	Direct Revenue Financing	2,315	2,315
<b>27,135</b>	<b>TOTAL</b>	<b>10,683</b>	<b>8,368</b>

The opening Capital Financing Requirement (CFR) at the start of the current reporting period was £43.8m and the closing CFR was £41.4m. The reduction in the CFR is made up of the Minimum Revenue Provision (MRP) representing a decrease in the underlying need to borrow.

## 37. LEASES

### Operating Leases

The PCCWM holds no vehicles, furniture and equipment under operating leases.

The PCCWM leases several of the properties which it occupies. The amount paid in respect of property rentals in 2012-13 was £2.6m including service charges and insurance.

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

	2012-13 £'000	2013-14 £'000
Lease expiring:		
Within one year	65	34
Within two to five years	1,650	1,601
After more than five years	104	159
<b>Total</b>	<b>1,819</b>	<b>1,793</b>

A number of leases are also held which can be cancelled at any time or on one months notice. These have an annual commitment of £134k.

### Finance leases

The PCCWM does not have any finance leases in 2012-13. The former Police Authority did not have any finance leases in 2011-12.

## 38. DEFINED BENEFIT PENSION SCHEMES

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

The PCC/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 pensions 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 two schemes: The 1987 scheme which no new members can now join and the 2006 Police pension scheme which all officers joining a pension scheme since 1 April 2006 become a member of. 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.

We recognise 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 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 PCC is responsible for the pension payments for the staff of the Office for Policing and Crime. The statements which follow show transactions for the group as a whole. The majority of the pensions costs are borne by the Chief Constable as the majority of staff are under his direction and control.

The Group has not obtained an actuarial valuation for the pensions relating to the Office for Policing and Crime as they are not material to the overall level of assets and liabilities in the Local Government Pension Scheme. Hence, within the Comprehensive Income and Expenditure Statement and Balance Sheet for the PCC a proxy for the value of pensions for staff under the direction and control of the PCC has been used which has been calculated on the basis of the proportion of staff in the Office for the PCC compared to the number of staff in the LPGS as a whole.

## Comprehensive Income and Expenditure Statement

2012-2013	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
<u>Net cost of services:</u>					
Current service cost	(13,946)	(95,770)	(2,480)	(18,200)	<b>(130,396)</b>
Past service (cost)/ gain	(26)	0	0	0	<b>(26)</b>
Curtailments	(717)	0	0	0	<b>(717)</b>
<u>Financing and Investing Income &amp; Expenditure:</u>					
Interest cost	(24,472)	(222,570)	(8,840)	(6,360)	<b>(262,242)</b>
Expected return on assets	20,167	0	0	0	<b>20,167</b>
<b>Total post employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(18,994)</b>	<b>(318,340)</b>	<b>(11,320)</b>	<b>(24,560)</b>	<b>(373,214)</b>
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	<b>0</b>
Actuarial gains and losses	(40,778)	(722,990)	(21,340)	(37,380)	<b>(822,488)</b>
<b>Net charge to I and E account</b>	<b>(59,772)</b>	<b>(1,041,330)</b>	<b>(32,660)</b>	<b>(61,940)</b>	<b>(1,195,702)</b>

2011-2012	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
<u>Net cost of services:</u>					
Current service cost	(14,513)	(99,670)	(2,760)	(18,240)	<b>(135,183)</b>
Past service (cost)/ gain	(144)	0	0	0	<b>(144)</b>
Curtailments	(4,582)	0	0	0	<b>(4,582)</b>
<u>Financing and Investing Income &amp; Expenditure:</u>					
Interest cost	(24,534)	(243,950)	(8,530)	(5,630)	<b>(282,644)</b>
Expected return on assets	21,883	0	0	0	<b>21,883</b>
<b>Total post employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(21,890)</b>	<b>(343,620)</b>	<b>(11,290)</b>	<b>(23,870)</b>	<b>(400,670)</b>
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	<b>0</b>
Actuarial gains and losses	(14,626)	(42,680)	(21,650)	(2,210)	<b>(81,166)</b>
<b>Net charge to I and E account</b>	<b>(36,516)</b>	<b>(386,300)</b>	<b>(32,940)</b>	<b>(26,080)</b>	<b>(481,836)</b>

## Movement in Reserves Statement

2012-2013	Local Government Pension Scheme £'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	18,994	318,340	11,320	24,560	<b>373,214</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>					
Employer's contributions payable to the scheme	(12,468)	0	0	0	<b>(12,468)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	(125,020)	(2,060)	4,910	<b>(122,170)</b>

2011-2012	Local Government Pension Scheme £'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	21,890	343,620	11,290	23,870	<b>400,670</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>					
Employer's contributions payable to the scheme	(11,824)	0	0	0	<b>(11,824)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	(119,180)	(1,990)	4,610	<b>(116,560)</b>

## Assets and Liabilities in relation to Post-employment benefits

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

2012-2013	Funded liabilities: Local Govt Pension Scheme £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
1 April -12	(476,067)	(4,556,570)	(180,210)	(118,270)	(5,331,117)
Current service cost	(13,946)	(95,770)	(2,480)	(18,200)	(130,396)
Interest cost	(24,472)	(222,570)	(8,840)	(6,360)	(262,242)
Contributions by scheme participants	(5,531)	(26,950)	0	(5,020)	(37,501)
Transfers into the scheme	0	(130)	0	(100)	(230)
Actuarial gains and (losses)	(61,761)	(722,990)	(21,340)	(37,380)	(843,471)
Benefits paid	11,897	151,970	2,060	110	166,037
Curtailments	(717)	0	0	0	(717)
Past service costs	(26)	0	0	0	(26)
31 March-13	(570,623)	(5,473,010)	(210,810)	(185,220)	(6,439,663)



<b>2011-2012</b>	<b>Funded liabilities: Local Govt Pension Scheme £'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 -11	(445,343)	(4,289,420)	(149,260)	(87,410)	(4,971,433)
Current service cost	(14,513)	(99,670)	(2,760)	(18,240)	(135,183)
Interest cost	(24,534)	(243,950)	(8,530)	(5,630)	(282,644)
Contributions by scheme participants	(5,800)	(25,310)	0	(4,680)	(35,790)
Transfers into the scheme	0	(30)	0	(170)	(200)
Actuarial gains and (losses)	0	(42,680)	(21,650)	(2,210)	(66,540)
Benefits paid	18,849	144,490	1,990	70	165,399
Curtailments	(4,582)	0	0	0	(4,582)
Past service costs	(144)	0	0	0	(144)
31 March-12	(476,067)	(4,556,570)	(180,210)	(118,270)	(5,331,117)

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

	<b>Local Government Pension Scheme £'000</b>	
	<b>2011-12</b>	<b>2012-13</b>
1 April	325,588	331,620
Expected rate of return	21,883	20,167
Actuarial gains and (losses)	(14,626)	20,983
Employer contributions	11,824	12,468
Contributions by scheme participants	5,800	5,531
Benefits paid	(18,849)	(11,897)
31 March	<b>331,620</b>	<b>378,872</b>

The expected return on scheme assets is determined by considering the returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £41.15m, (£7.257m in 2011-12)

## History of the scheme

	2012-13	2011-12	2010-11	2009-10	2008-09
	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(570,623)	(476,067)	(445,343)	(447,565)	(292,204)
1987 Police Pension Scheme	(5,473,010)	(4,556,570)	(4,289,420)	(4,669,380) <sup>*</sup>	(3,093,250)
Police Injury award Pensions	(210,810)	(180,210)	(149,260)	(177,840)	(27,700)
2006 Police Pension Scheme	(185,220)	(118,270)	(87,410)	(66,300)	(17,430)
Fair value of assets in the Local Government Pension Scheme	378,872	331,620	325,588	291,448	214,213
<b>Subtotal</b>	<b>(6,060,791)</b>	<b>(4,999,497)</b>	<b>(4,645,845)**</b>	<b>(5,069,637)<sup>*</sup></b>	<b>(3,216,371)</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(191,751)	(144,447)	(119,755)	(156,117)	(77,991)
1987 Police Pension Scheme	(5,473,010)	(4,556,570)	(4,289,420)	(4,669,380) <sup>*</sup>	(3,093,250)
Police Injury award Pensions	(210,810)	(180,210)	(149,260)	(177,840)	(27,700)
2006 Police Pension Scheme	(185,220)	(118,270)	(87,410)	(66,300)	(17,430)
<b>Total</b>	<b>(6,060,791)</b>	<b>(4,999,497)</b>	<b>(4,645,845)**</b>	<b>(5,069,637)<sup>*</sup></b>	<b>(3,216,371)</b>

\*restated due to changes in the calculation of injury awards for active pension scheme members

\*\* restated following the change in accounting policy to show the police pension schemes separately

The liabilities show the underlying commitments that the PCCWM has in the long run to pay post employment (retirement) benefits. The total liability of £6,061m has a substantial impact on the net worth of the Group recorded in the Balance Sheet, resulting in a negative overall balance of £5,834m. 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 PCCWM in the year to 31 March 2014 is £11.5m. Expected contributions for the Police Pension Scheme in the year to 31 March 2014 are £99.8m

### 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 West Midlands Fund liabilities have been assessed by Mercers Human Resource Consulting, 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 2010.

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 £'000		Police Pension Scheme £'000	
	2011-12	2012-13	2011-12	2012-13
	Years	Years	Years	Years
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	21.7	22.1	23.3	23.4
Women	24.3	24.8	25.7	25.8
Longevity at 65 for future pensioners:				
Men	23.1	23.9	25.6	25.7
Women	25.9	26.7	27.8	27.9
	%	%	%	%
Rate of CPI inflation	2.60	2.40	2.50	2.50
Rate of increase in salaries	4.35	4.15	4.70	4.75
Rate of increase in pensions	2.60	2.40	2.50	2.50
Rate for discounting scheme liabilities	5.10	4.40	4.90	4.30
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 police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund are valued at fair value, (the bid price of investments held), totalling £378.9m for the fund as a whole at 31 March 2013 (£331.6m at 31 March 2012). The Funds assets consist of the following categories by proportion of the total assets of the Fund:

	2011-12			2012-13		
	£'000	Proportion %	Expected Return %	£'000	Proportion %	Expected Return %
Equity investments	181,727	54.80	7.00	159,506	42.10	7.00
Government Bonds	34,820	10.50	3.10	34,098	9.00	2.80
Other Bonds	27,193	8.20	4.10	45,465	12.00	3.90
Property	33,162	10.00	6.00	34,098	9.00	5.70
Cash/Liquidity	4,643	1.40	0.50	8,335	2.20	0.50
Other assets	50,075	15.10	7.00	97,370	25.70	7.00
<b>Total</b>	<b>331,620</b>	<b>100.00</b>		<b>378,872</b>	<b>100.00</b>	

## Statement of Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012-13 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2013.

	2012-13		2011-12		2010-11		2009-10		2008-09	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
<b>Local Government Pension Scheme</b>										
Difference between the expected and actual return on assets	(40,778)	7.1	(14,626)	4.4	4,318	1.3	53,469	18.3	(70,261)	32.8
Differences between actuarial assumptions about liabilities and actual experience	0	0	0	0	0	0	0	0	0	0
Changes to demographic and financial assumptions used to estimate liabilities	0	0	0	0	15,365	3.5	(127,882)	28.6	89,715	41.9
<b>LGPS Net Gain / (Loss)</b>	<b>(40,778)</b>		<b>(14,626)</b>		<b>19,683</b>		<b>(74,413)</b>		<b>19,454</b>	
<b>1987 Police Pension Scheme</b>										
Differences between actuarial assumptions about liabilities and actual experience	107,130	1.4	62,280	1.4	80,100	1.9	79,990*	1.7	30,060	1.0
Changes to demographic and financial assumptions used to estimate liabilities	(830,120)		(104,960)		44,250		(1,492,700)		390,860	
<b>1987 Police Pension Scheme Net Gain/(Loss)</b>	<b>(722,990)</b>	<b>(0.9)</b>	<b>(42,680)</b>	<b>(0.9)</b>	<b>124,350</b>	<b>2.9</b>	<b>(1,412,710)</b>	<b>(30.3)</b>	<b>420,920</b>	<b>13.6</b>
<b>Injury Awards Pensions</b>										
Differences between actuarial assumptions about liabilities and actual experience	4,950	2.3	(3,540)	(2.0)	9,570	6.4	(4,100)	(2.3)	670	2.4
Changes to demographic and financial assumptions used to estimate liabilities	(26,290)		(18,110)		11,980		(58,410)		2,570	
<b>Injury Awards Pensions Net Gain/(Loss)</b>	<b>(21,340)</b>	<b>(12.0)</b>	<b>(21,650)</b>	<b>(12.0)</b>	<b>21,550</b>	<b>14.4</b>	<b>(62,510)</b>	<b>(35.1)</b>	<b>3,240</b>	<b>11.7</b>
<b>2006 Police Pension Scheme</b>										
Differences between actuarial assumptions about liabilities and actual experience	(2,150)	(1.2)	4,180	3.5	(4,420)	(5.1)	(740)	(1.1)	(400)	(2.3)
Changes to demographic and financial assumptions used to estimate liabilities	(35,230)		(6,390)		3,620		(33,580)		4,660	
<b>2006 Police Pension Scheme Net Gain/(Loss)</b>	<b>(37,380)</b>	<b>(20.2)</b>	<b>(2,210)</b>	<b>(1.9)</b>	<b>(800)</b>	<b>(0.9)</b>	<b>(34,320)</b>	<b>(51.8)</b>	<b>4,260</b>	<b>24.4</b>
<b>All Schemes Total Net Gain / (Loss)</b>	<b>(822,488)</b>		<b>(81,166)</b>		<b>164,783</b>		<b>(1,583,953)</b>		<b>447,874</b>	

In 2008-09 the actuarial gains and losses that appear in the Statement of Total Recognised Gains and Losses includes a net loss of £0.2m which relates to the restatement of assets under the local government pension scheme. This meant that the actuarial gain shown for 2008-09 was £447.6m (£447.9 - £0.2m with differences due to rounding)

### 39. 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.

	2011-12 Capitalised Value £'000	2012-13 Actual Payments £'000	2012-13 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	2,156	121	2,177
	<b>2,156</b>	<b>121</b>	<b>2,177</b>

### 40. PROVISIONS

A number of employment tribunal claims lodged against the PCCWM on the grounds of equal pay have been settled and following advice from Legal and Human Resources practitioners the PCCWM has decided that it would be prudent to maintain a provision of £1m to cover the expected costs of claims arising directly from these cases and those which may be brought following the outcome of existing cases.

The PCCWM will continue to provide for the costs of redundancy packages at a level of £0.7m and has set up a reserve to allow for such expenses beyond the remaining CSR period. The provision for the expected cost of the purchase of carbon credits as part of the Governments commitment to reduce carbon dioxide emissions will also continue in the next financial year. Both provisions are shown as current liabilities in the Balance Sheet.

### 41. CONTINGENT LIABILITIES

The PCCWM has noted a contingent liability for an employment tribunal case regarding A19 retirements. This case is currently at an early stage and legal advice is being sought. It is not yet possible to estimate a value for the potential liability that will be incurred if the individuals bringing proceedings are successful.

In addition the PCCWM has 3 contingent liabilities for costs associated with properties which are no longer occupied and contracts whose completion is in dispute. It is estimated that the cost of settling these liabilities is likely to be in the region of £450,000, although this is subject to further review.

## 42. 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 12	31 March 13
	£'000	£'000
<b>Balance as at 1 April</b>	<b>142</b>	<b>101</b>
Income from confiscations and property auctions	127	74
Payments to charities	(145)	(123)
Payments to Neighbourhood Initiative Fund	(3)	0
Property Administration Expenditure	(20)	(18)
<b>Balance as at 31 March</b>	<b>101</b>	<b>34</b>

Notes 43 to 45 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 32 to 37.

## 43. TRUST FUNDS

The PCCWM is Trustee to two Registered Charities:

### **The High Sheriff's Police Trust Fund for the West Midlands (Building Blocks)**

The Charity supports a number of police service related initiatives within the West Midlands. The balance on the funds accounts at 31 March 2013 was £100,345. (£127,800 at 31 March 2012).

### **Alderman Guy Fund**

This small charity makes small awards to selected officers whose performance it recognises as being of particular merit.

The balance on the funds accounts at 31 March 2013 was £1,721 (£1,720 at 31 March 2012).

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

## 44. LIVESCAN CHANGE FUND

As senior responsible officer for the ACPO Forensics 21 Programme, the Chief Constable of West Midlands Police controls, on behalf of the NPIA, a bank account to pay for upgrades to the National Livescan Fingerprint Capture System. The balance on this account at 31 March 2013 was £2,282,876 (£2,084,304 in 2011-12).

## 45. 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 2013 the balance on these accounts was £4,691,620.51, \$7,567.14 and €44,266.15. In 2011-12 the balance on these accounts was £5,722,606.95, \$12,607.10 and €71,914.85.

## NOTES TO THE CASH FLOW STATEMENT

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

	Year ended 31 March 12 £'000	Year ended 31 March 13 £'000
Surplus (Deficit) for the year	(248,680)	(230,860)
Increase / (decrease) in Provisions	(1,950)	0
Accumulated absences creditor adjustment	(2,336)	(633)
Other adjustments for non-cash movements	(93)	(4)
Capital Financing transaction	25,322	28,304
Change in Short Term Borrowing	128	34
Increase / (decrease) in Long Term Debtors	28	12
Increase / (decrease) in Long Term Creditors	0	0
(Increase) / Decrease in stocks	136	396
(Increase) / Decrease in debtors	(1,302)	6,818
Increase / (Decrease) in creditors	(13,870)	(1,183)
IAS 19 Adjustment	400,670	373,214
Pension Adjustment	(82,934)	(81,078)
Net (gain)/loss on disposal of fixed assets	(9,908)	144
Interest Payable and Similar Charges	3,106	3,075
Interest and Investment Income	(2,200)	(2,262)
Pensions Top Up Grant Receivable	(45,250)	(53,330)
Grant Deferred Amortisation	0	0
Impairment of Financial Instruments	(152)	(60)
<b>Net Inflow (Outflow) from Revenue Activities</b>	<b>20,715</b>	<b>42,587</b>

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

	Year ended 31 March 13 £'000
Decrease/ (Increase) in cash	(22,487)
Cash outflow from increase in liquid resources	(28,746)
Financing	418
<b>Change in net debt resulting from cashflows</b>	<b>(50,815)</b>
Net Debt as at 1 April 2012	79,340
Net Debt as at 31 March 2013	114,552

#### 48. MOVEMENT IN CASH AND CASH EQUIVALENTS

	Balance at 31 March 12	Movement in the Year	Balance at 31 March 13
	£'000	£'000	£'000
Cash held by the PCC	304	20	324
Bank Current Accounts	(3,312)	9,488	6,176
Short term deposits with financial institutions	51,262	12,979	64,241
	<b>48,254</b>	<b>22,487</b>	<b>70,741</b>

Cash equivalents are short term deposits and investments with less than 1 month to maturity. The impairment of the Icelandic investment has been excluded from the Balance at 31 March 2013 as it is a non cash transaction.



#### 49. JOINTLY CONTROLLED OPERATIONS – CENTRAL MOTORWAY POLICE GROUP

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

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

The 3 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 2012-13 are as follows:

2011-12 £'000s		2012-13 £'000s
<b>Funding provided to the pooled budget</b>		
(4,343)	Contribution from West Midlands Police	(4,261)
(2,179)	Contribution from West Mercia Police	(2,137)
(2,052)	Contribution from Staffordshire Police	(2,013)
<b>(8,574)</b>	<b>Total funding provided to the pooled Budget</b>	<b>(8,411)</b>
<b>Expenditure met from the pooled budget</b>		
7,589	Pay and allowances	7,486
45	Premises costs	56
707	Transport costs	627
247	Supplies and Services	286
0	SPP grant	0
<b>8,588</b>	<b>Total expenditure</b>	<b>8,455</b>
<b>Income received to the Pooled budget</b>		
(14)	External funding	(44)
<b>(14)</b>	<b>Total income received</b>	<b>(44)</b>
<b>Total Net Expenditure</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

## 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.

2011-12 £'000	Police Pension Fund Account	2012-13 £'000	£'000
	<b>Fund Account</b>		
	Contributions receivable:		
	From employer:		
(67,502)	Normal	(64,747)	
(1,923)	Early retirements	(1,992)	
(24)	30+ contributions	(8)	
(69,449)		(66,746)	
(29,986)	From members	(31,968)	
(29,986)		(31,968)	
(198)	Transfers in	(232)	
(198)		(232)	
<b>(99,632)</b>	<b>Total income into the Pension Fund</b>		<b>(98,947)</b>
	Benefits payable:		
111,570	Pensions	120,224	
31,368	Lump sums	30,592	
338	Lump sum death benefits	202	
24	30+ benefits payable	28	
254	Benefits payable to other regional forces re earlier reorganisations	240	
143,554		151,267	
	Payments to and on account of leavers:		
164	Refunds of contributions	16	
1,147	Individual transfers out to other schemes	988	
16	Other	5	
1,327		1,009	
<b>144,881</b>	<b>Total payments from the pension fund</b>		<b>152,277</b>
<b>45,249</b>	<b>Net amount payable for the year</b>		<b>53,330</b>
(45,249)	Additional contribution received from the Police and Crime Commissioner		(53,330)
<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 2012-13 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2013 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 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 2012-13 the contribution rates were as follows :-

6.

- Employers Contribution – 24.2% for both the 1987 & 2006 Police pension schemes

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

- Employee Contribution – 11% for 1987 police pension scheme
- Employee Contribution – 10.1% for 2006 new police pension scheme

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

- Employee Contribution – 12.25% for 1987 police pension scheme
- Employee Contribution – 10.5% for 2006 new police pension scheme

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

Employee Contribution – 12.50% for 1987 police pension scheme  
Employee Contribution – 10.75% for 2006 new police pension scheme

## GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**FRS 17 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.

**FINANCIAL INSTRUMENT** – Either cash, evidence of ownership interest in an entity, or a contractual right to receive or deliver cash, or another financial instrument.

**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.

**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.

**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.

**REVENUE SUPPORT GRANT (RSG)** – General government grant support towards PCC expenditure.

**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