



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

## **2016-17**



## STATEMENT OF ACCOUNTS 2016-17

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## **NARRATIVE REPORT**

### **About The West Midlands and West Midlands Police**

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

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

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

The West Midlands is the second most diverse population in the UK with a higher than average percentage of minority ethnic groups including Pakistani at 4.1%, Indian at 3.9% and Caribbean at 1.5%. It also had a lower than average White ethnic group at 82.7% and White British at 79.2%. Approximately 12% of the region's population were born outside the UK. Average earnings, the employment rate and house prices for the region are lower than the national average.

There are seven local authorities within the area, Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton, each with a Crime and Disorder Reduction Partnership/Community Safety Partnership. The area is also served by three Local Enterprise Partnerships (LEPs), Staffordshire and West Midlands Probation Trust and a number of NHS structures, adding complexity to the partnership landscape. West Midlands Police is one of the best performing metropolitan police forces in the country. Significant and sustained reductions across volume crime have been achieved. At the same time, through headquarter departments and formal collaborative arrangements with other forces and law enforcement agencies, resources and expertise have been focused on a range of inter and cross-force activities.

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

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

### **Role of Chief Constable**

The Chief Constable has overall responsibility for the direction and control of West Midlands Police Force. Chief constables and their officers must answer to the courts and the law for how police powers are used. They must also answer to the Police and Crime Commissioner in terms of delivering efficient and effective policing, and the way resources and spending are managed. Chief constables will deliver the strategy and



aims set out in the PCC's police and crime plan, and they will help the PCC plan the force's budget and give them access to information, officers and staff whenever this is needed.

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

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

The Chief Constable has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE 2016 updated framework: *Delivering Good Governance in Local Government*, a copy is on our website at [www.west-midlands.police.uk](http://www.west-midlands.police.uk) or can be obtained by contacting us, details at [www.west-midlands.police.uk/contact-us/index.aspx](http://www.west-midlands.police.uk/contact-us/index.aspx) This statement explains how the Chief Constable has complied with the code and also meets the requirements of Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

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

## **The Statement of Accounts**

This Statement of Accounts sets out the overall financial position of the Chief Constable of West Midlands Police (CCWMP). The accounts have been prepared following the International Financial Reporting Standards on which the accounts of the Chief Constable are required to be based.

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

The Statement of Accounts for the CCWMP consists of:

### **1. Chief Constable's Approval of the accounts**

This includes the date and signature of the Chief Constable of West Midlands Police on the approval of the Statement of Accounts.

### **2. Annual Governance Statement**

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

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

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

### **4. Auditors report**



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

## 5. The Statement of Accounts

This brings together the key financial statements of the Chief Constable of West Midlands Police. The financial statements consist of:

- **Comprehensive Income and Expenditure Statement for the Chief Constable of West Midlands Police** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. It summarises the resources that have been generated and consumed in providing policing services during the year. The statement has been prepared in accordance with the accounting principles set out in the CIPFA Accounting Code of Practice and highlights the financial consequences of policing activities in the West Midlands in 2016-17 under the direction and control of the Chief Constable.
- **Movement in Reserves Statement for the Chief Constable of West Midlands Police** – This statement shows the movement in the year on the reserves held by the Chief Constable.
- **Balance Sheet as at 31 March 2017**

The Balance Sheet shows the value, as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The Chief Constable recognises the Pension Liabilities of all Police Officers and staff who are deemed to be under his direction and control excluding those staff working in the Office for the Police and Crime Commissioner. The statement also recognises the cost of short term accumulated absences for police officers and police staff. The statement shows a reserve to match these liabilities.

- **Cash Flow Statement as at 31 March 2017**

The Cash Flow statement aims to show the effect of the cash based transactions between the PCCWM and the CCWMP. This demonstrates the effect of the income received from the PCCWM to enable the CCWMP to deliver a policing service for the force area.

- **Police Pension Fund, Net Asset Statement and notes to the police pension fund scheme.**

The Police Pension Fund Account contains the contributions from the CCWMP at a rate of 21.3% of police officers' pay which are used to pay police pensions during the year. The deficit on this account is met by a top-up grant from the Home Office which is credited to the Chief Constables Comprehensive Income and Expenditure Statement.

- **Expenditure and Funding Analysis**

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

## CHIEF CONSTABLE REVENUE OUTTURN 2016-17

The revenue outturn is based on the budget which is produced in setting council tax, but the accounts are prepared on the basis of a set of statutory regulations which permit some transactions to be either included or excluded so that they do not impact on the value of council tax that the Group is permitted to raise. Given



the changes in Governance arrangements brought about by the creation of two separate entities of the PCCWM and the CCWMP the budget setting view focuses mainly on the group position.

### Pay related expenditure

The outturn on the pay budgets has all areas in line with budget. Within other employee expenses the increase in spend predominately relates to an increase on pension fund strain as a result of additional staff redundancies. This increase was expected in the second half of the year due to the anticipated introduction of the cap on exit payments.

### Transport related expenditure

Fuel costs remained low in the first half of the year and efficiencies made against the vehicle fleet have kept spend at a similar level to last year. There has been some additional spend on travel expenses and allowances.

### Premises related expenditure

The increase in spend on premises mainly relates to the payment of dilapidation costs for leased properties vacated as part of the Central Birmingham rationalisation. Other move costs and minor adaptations to buildings have been made to accommodate staff and officers in new locations.

### Supplies and Services Expenditure

Equipment purchases, significantly for the national CBRN hub, have increased funded spend on supplies & services this year with a corresponding increase in income. There has also been investment in IT software and systems mainly for WMP2020 projects.

### Capital Financing

The increase in Capital Financing costs relates to revaluation losses charged in year.

### External Income

Additional income has been received to support the Counter Terrorism unit and CBRN unit. There has also been additional income from the Home Office to support Police Innovation Fund bids and to cover the cost of Operation Pelkin for 2016-17.

2015-16 £'000		2016-17 £'000
397,011	Financial Resources of the PCCWM consumed at the request of the Chief Constable	394,465
126,487	Police Pay and Allowances	127,595
4,090	Police Staff and PCSO Pay and Allowances	5,422
	Other Employee Expenses	
<b>527,588</b>	<b>Sub Total Employee Costs</b>	<b>527,482</b>
17,955	Premises Related Costs	20,986
8,332	Transport/Travel Costs	8,653
55,084	Supplies and Services	69,254
6,564	Agency Expenses	9,644
9,608	Capital Financing	26,601
(60,031)	Income	(80,535)
1,127	Non distributed costs	2,059
<b>566,227</b>	<b>Total Financial Resources of the PCCWM consumed at the request of the CCWMP</b>	<b>584,144</b>
<b>566,227</b>	<b>Net cost of Policing Services</b>	<b>584,144</b>
154,686	Financing and Investment income and expenditure	122,432
(530,306)	PCC funding for financial resources consumed	(545,619)
<b>190,607</b>	<b>Deficit on policing services</b>	<b>160,957</b>



## HOW WEST MIDLANDS POLICE HAS PERFORMED IN 2016-17

The table below shows some key crime statistics for West Midlands Police for the year ended 31 March 2017 compared to the same time in the previous year.

	2015-16	2016-17	% change
Total recorded Crime	185,396	206,180	+11.2
Business Crime	38,103	42,836	+12.4
Burglary	11,960	14,322	+19.7
Robbery	4,911	5,891	+20.0

In relation to the above statistics changes in the volume of recorded crime can be difficult to interpret as they reflect both changes in recording processes and practices and real changes in crime. However, the Office for National Statistics concluded in their latest Crime in England and Wales release that there appears to be genuine increases in some of the lower volume but higher harm categories of police recorded violence, including homicide and knife crime. As well as increases in some offences where recording practices are less likely to have been a driving factor. For example, burglary and robbery.

Whilst total recorded crime is higher in 2016-17 than in the previous year, West Midlands Police maintains a lower total recorded crime rate per 1,000 population compared to its most similar forces.

### Performance rated by PEEL assessment

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

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

The force works well with partners to manage the most harmful offenders and staff are clearly committed to protecting vulnerable people. Improvements are needed in the forces understanding of the risks faced by vulnerable people, particularly missing children.

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

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

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





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

The Chief Constable does not have ownership of any capital assets or liabilities and therefore has no capital expenditure.

The Chief Constable is charged for the revenue costs of buildings, transport and equipment as the consumption of these assets are deemed to be under his direction and control.

## **PROVISIONS AND CONTINGENT LIABILITIES**

The Chief Constable of West Midlands Police, along with other Chief Constables and the Home Office, currently has 484 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016-17 Accounting Statements.

## **PENSIONS**

Pension liabilities in respect of Police Officers and police staff whose costs have been recognised in the Chief Constable's Comprehensive Income and Expenditure Statement have been recognised in the Balance Sheet of the Chief Constable. As at 31 March 2017 the Chief Constable recognised net pension liabilities of £7,436.9m. Overall statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The actuarial losses on pension funds in 2016-17 totalled £1,407.4m and compared to actuarial gains of £1,151.1m in 2015-16. This has resulted in an increase in the overall pension's liability. The actuarial losses in 2016-17 are due to a significant decrease in the discount rate at which pensions are paid from 3.55% to 2.65% (for police pensions) and from 3.80% to 2.80% (for police staff pensions) and an increase in short term salary increases from 4.20% to 4.35% per year (for police pensions) and from 3.95% to 4.20% (for police staff pensions) – which increases the liability for active members of the scheme. When compounded over the duration of a typical pension payment the effect of these changes is substantial. It should be noted however that actuarial gains and losses do change each year as can be seen from the defined benefit pension scheme notes starting on page 46 of the Statement of Accounts.

## **CHANGES TO ACCOUNTING POLICIES**

An Accounting policy defining total absorption costing of overheads and support services within the Service Reporting Code of Practice has been removed from the Policies as the Comprehensive Income and Expenditure Statement is no longer presented in this format.

## **FUTURE OUTLOOK**

Since 2010 the West Midlands faced a challenge of managing one of the largest reductions in Government funding for any Police area in the country and maintaining and improving the services needed by local people and businesses. The PCC and the Chief Constable are continuing on an ambitious and leading edge





Transformation programme, in partnership with Accenture, which is planned to improve services within much reduced resource levels. The Comprehensive Spending Review in 2015 has resulted in police funding reliant on council tax precept increases of £5 per annum on average to allow police funding to remain at 2015-16 levels. Increasing cost pressures still require the PCC and the Chief Constable to continue to achieve significant efficiencies to operate within the resources available.

By 2020, the Transformation programme aims to deliver:

- Increased citizen confidence, participation and satisfaction
- Improved productivity, efficiency, agility and service levels
- Reduced demand using opportunities to prevent crime
- Improved workforce experience
- Increase in professional standards
- Improvements in evidence handling
- A more mobile workforce able to respond at pace

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

#### **Active Citizens:**

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

Part of this work includes:

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

#### **Digital Revolution:**

The Force needs to modernise how it engages with the public to match their expectations. Communities are becoming more diverse and more likely to want to contact us digitally so we must transform the way we listen and involve the public in policing.

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



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

## **FUTURE FUNDING LEVELS**

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

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

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

## **EVENTS AFTER THE REPORTING PERIOD**



## **West Midlands Police Annual Governance Statement**

Position as at 31<sup>st</sup> March 2017 including plans for the financial year 2017/18.

### **1. Scope of Responsibilities**

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

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

The Chief Constable has adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE 2016 updated framework: *Delivering Good Governance in Local Government*, a copy of which is on our website at [www.west-midlands.police.uk](http://www.west-midlands.police.uk) or can be obtained by contacting us, details at [www.west-midlands.police.uk/contact-us/index.aspx](http://www.west-midlands.police.uk/contact-us/index.aspx). This statement explains how the Chief Constable has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

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

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

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

The governance framework has been in place for the Chief Constable for the year ended 31<sup>st</sup> March 2017 and up to the date of approval of the annual report and statement of accounts.

### **3. The Governance Framework**

The Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. The Chief Constable is held to account for the exercise of those functions and those of the persons under his direction and control, by the Police and Crime Commissioner (Commissioner).



It therefore follows that the Commissioner must satisfy himself that the Force has appropriate mechanisms in place for the maintenance of good governance. For these to operate in practice, the Commissioner and the Chief Constable, as separate corporations 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 Chief Constable has adopted a number of systems and processes which together with the working relationships with the Commissioner comprise the Chief Constable's governance arrangements, the key elements of which are detailed below:

- The Chief Constable's Vision and Values have been reviewed and reset and the WMP2020 transformational programme incorporates key themes and foundations as to how the Force will deliver its objectives with communities and partners.
- The West Midlands Police and Crime Plan 2016 – 2020 identifies and communicates plans and intended outcomes for citizens and service users.
- The development of a West Midlands Police Force Ambition Plan 2016 – 18.
- The implementation of a revised governance framework in May 2017 that will ensure the Force continues to operate effectively.
- Measuring the quality of service, to ensure they are delivered in accordance with the Chief Constable's objectives and represent the best use of resources and value for money.
- Procedure rules, policies and internal management processes are established for Financial Management, Procurement, Health and Safety, Confidential Reporting ("Whistleblowing"), Complaints Handling, Anti-Fraud, Bribery and Corruption, Business Interests, Gifts and Hospitality and Information Security, Information Sharing and Data Protection.
- The Code of Ethics outlines principles and standards of behaviour that sets and defines exemplary standards expected of everyone who works in policing.
- The Standards of Professional Behaviour reflects the expectations that the police service and the public have of how police staff should behave.
- The Joint Scheme of Corporate Governance sets out in detail the respective roles and functions of the Commissioner and Chief Constable, outlining all significant decisions which are consented or delegated and which are of a statutory, financial or management nature.
- A Joint Audit Committee (with the PCC) is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment, the independent scrutiny of the Chief Constable's and the PCC's financial performance to the extent that it affects the Chief Constable and PCC's exposure to risk and weakens the control environment. The Joint Audit Committee has an independent Chair, as identified by the Home Office's Code of Practice for Financial Management and CIPFA's Audit Committee – Practical Guidance for Local Authorities. An independent member is also a member of the Joint Audit Committee.
- The Force has an Organisational Risk Management Policy and Risk Register, prepared and reviewed by senior management. The Joint Audit Committee is responsible for independent assurance on the adequacy of the risk management framework.
- All major change and transformation programmes and projects have their own project boards which includes addressing risk management and mitigation.
- Ensuring the Chief Constable's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable (2012) and, where they do not, explain why and how they deliver the same impact.
- Ensuring the Chief Constable's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why they deliver the same impact.
- An External Audit function reports to "those charged with governance" in respect of the Annual Accounts.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Identifying the development needs of 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.
- Complying with requirements in relation to transparency and Freedom of Information.
- Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Chief Constable's overall governance arrangements.

#### **4. Review of Effectiveness**

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

The review of effectiveness is informed by the work of the executive team within West Midlands Police, who have responsibility for the development and maintenance of the governance environment, the Internal Audit Managers Annual report, and also by comments made by the External auditors and other review agencies and inspectorates.

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

- **The Force**

The Chief Constable operates a system of strongly controlled arrangements for the delivery of operational policing in its communities, together with management and monitoring arrangements for:

- Performance management and associated reporting;
- Financial management;
- Standards of data quality that underpin key reporting requirements;
- The professional standards of police officers and staff in the Force;
- Programme and project management.

These functions are organised within clear reporting structures in the Force, designed to provide the Chief Constable and the Executive Team with assurances as to the effective delivery of operational policing and the Commissioner's Policing and Crime plan.

The Chief Constable has continued with significant organisational changes during 2016/17 that have been necessary to release further savings required to meet the reduced funding allocations. Throughout these changes the framework of controls has been maintained and they will continue to be reviewed as part of the on-going change process of the force.

- **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.



- **Internal Audit**

The system of Internal Audit is a primary tenet of corporate governance and is the responsibility of the Commissioner. The provision and maintenance of an effective shared Internal Audit service for the PCC and CC has been delegated to the PCC's Chief Finance Officer. The Audit Committee oversees the provision of this service, reviewing associated plans and work outputs. The standards of Internal Audit are assessed against Public Sector Internal Audit Standards and the results of this have been presented to the Joint Audit Committee in 2016/17. An external assessment of Internal Audit against the PIAS standards will be undertaken in 2017/18.

## 5. Significant Governance Issues

The development and embedding of governance arrangements and the working relationships between Commissioner and the Chief Constable continue to be a priority.

During 2016/17 the Commissioner has continued with the governance and scrutiny arrangements for holding the Chief Constable to account, this is through the Strategic Policing and Crime Board and other methods. These arrangements will be kept under review to ensure it continues to provide effective scrutiny and challenge for the Force.

Work will also continue into 2017/18 to ensure the scheme of governance is effective. This will include making sure the scheme provides the required levels of transparency for both the Commissioner and the Chief Constable. This relates to the operational and financial control of the two corporations, the decision making processes and compliance with the necessary publication requirements of this governance structure to meet the provisions of the Statutory Information Order. In addition, the Chief Constable will undertake activities to deliver against the Police and Crime Plan.

During 2016/17 the Force has successfully met the challenges of:

- Maintaining and improving service levels despite experiencing the most significant reduction in Government funding levels for any metropolitan police force in the country during the period of the current Comprehensive Spending Review;
- Receiving positive reports from Her Majesty's Inspectorate of Constabularies (HMIC) covering a wide range of operational and management areas;
- Continuing to implement the organisational change programme, WMP 2020, which includes making preparations to deliver and implement fundamental changes in the way services are delivered to the public;
- Continuing with the development and implementation of new Governance arrangements.

During 2016 the Chief Constable launched his vision and values for the Force. In 2017/18 the Force will continue to deliver against this vision and continue the implementation of the WMP2020 programme with Accenture the Innovation and Integration Partner (IIP) who was appointed in July 2014. The partnership will design and deliver a programme of change for the Force that will address financial and service delivery challenges over the medium term. This will be delivered through a revised Target Operating Model (TOM) that has been agreed with the Commissioner.

The operational governance of the Force will remain unchanged and exercised through the Executive Team. Operating alongside this is the WMP2020 programme that has its own governance arrangements to enable the programme to be delivered effectively. This includes performance and financial monitoring covering the Force and the IIP. These governance structures will continue to operate during 2017/18.

The scale of change facing the Chief Constable remains extremely challenging, at a time when the demand and need for sustained and improved service to the public continues to increase and funding continues to reduce. This will require firm leadership, careful management, innovation and robust scrutiny. We will continue to monitor and update plans, policies and risk documentation as more information becomes available.





## 6. Governance Review and New Framework

A new governance framework has been developed to reflect the changes in the Force structure as per the WMP2020 programme.

This has resulted in the evolution of nine thematic boards aligned to the Police and Crime plan and the Force Ambition Plan. The role of the thematic boards are to set clear direction for the Force around delivering the Ambition Plan. The boards are forward thinking and understand the organisation's capability and capacity to deliver. The thematic boards set clear direction with a set of plans which inform Commanders and Heads of Department "what" they need to achieve.

There are also seven Portfolio boards which act as the Senior Leadership Team for the Executive Team members and their Commanders / Heads of Department. At this forum, local plans will be scrutinised and how performance is managed. Through developing their local plans the Commanders and Heads of Department clearly state "how" they intend to deliver the "what" in alignment with the Ambition Plan.

Where there is a requirement to deconflict activities there are a number of Tasking and Coordinating forums, which can be accessed by all boards, chaired by the Force Executive.

The arrangements of the new governance framework will continue to be implemented and embedded during 2017/18.

## 7 Monitoring Implementation

The systems the Chief Constable has in place to monitor the implementation of the Police and Crime Plan through the Ambition Plan and the risk register will ensure activities detailed in this statement are implemented. Progress of the implementation of actions will be reported in next year's Annual Governance Statement.

### Signed

Dave Thompson  
Chief Constable of West Midlands Police

Neil Chamberlain.  
Acting Director of Commercial Services West Midlands Police





## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER TO THE CHIEF CONSTABLE**

The Chief Finance Officer is responsible for the preparation of the Chief Constable of West Midlands Police Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to give a true and fair view of the financial position of the Force at the accounting date and its income and expenditure for the year ended 31 March 2017.

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the CIPFA IFRS Code of Practice on Local Government Accounting.

The Chief Finance Officer has also:

- ensured that proper accounting records were kept and are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **CHIEF FINANCE OFFICER TO THE CHIEF CONSTABLE OF WEST MIDLANDS POLICE CERTIFICATE**

In accordance with regulation 9 of the Account and Audit Regulations 2015, I certify that the Statement of Accounts presents a true and fair view of the financial position of the Chief Constable of West Midlands Police as at 31 March 2017 and his income and expenditure for the year then ended. The accounts at this date are unaudited and as published may be subject to change

N Chamberlain CPFA  
Chief Finance Officer to the Chief Constable of West Midlands Police  
Date: 26 May 2017



## **THE RESPONSIBILITIES OF THE CHIEF CONSTABLE OF WEST MIDLANDS POLICE**

The Chief Constable of West Midlands Police is required:

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

## **CHIEF CONSTABLE OF WEST MIDLANDS POLICE CERTIFICATE**

I certify that the Statement of Accounts presented to the Audit Committee, at a meeting on 8 June 2017 have been certified by the responsible financial officer and approved by the Chief Constable of West Midlands Police on xxxx, in accordance with regulation 9 of the Accounts and Audit Regulations 2015.

Dave Thompson  
Chief Constable of West Midlands Police  
Date:



**INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF WEST MIDLANDS POLICE**







## CHIEF CONSTABLE'S COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2016-17

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year.

2015-16 Gross Exp £'000	2015-16 Gross Income £'000	2015-16 Net Exp £'000	Note	2016-17 Gross Exp £'000	2016-17 Gross Income £'000	2016-17 Net Exp £'000
614,757	(59,389)	555,368	Financial Resources consumed	649,645	(78,400)	571,245
11,502	(643)	10,859	WMP 2020 Projects	15,034	(2,135)	12,899
<b>626,259</b>	<b>(60,032)</b>	<b>566,227</b>	<b>Total Financial Resources consumed</b>	<b>664,679</b>	<b>(80,535)</b>	<b>584,144</b>
	<b>(530,306)</b>	<b>(530,306)</b>	<b>PCC Funding for Financial Resources Consumed</b>	<b>0</b>	<b>(545,619)</b>	<b>(545,619)</b>
<b>626,259</b>	<b>(590,338)</b>	<b>35,921</b>	<b>NET COST - POLICING SERVICES</b>	<b>664,679</b>	<b>(626,154)</b>	<b>38,525</b>
228,348	0	228,348	Net Pension Interest Cost	211,381	0	211,381
0	(73,662)	(73,662)	Pensions Top Up Grant receivable from the PCC	0	(88,949)	(88,949)
<b>228,348</b>	<b>(73,662)</b>	<b>154,686</b>	<b>Financing and Investment Income and Expenditure</b>	<b>211,381</b>	<b>(88,949)</b>	<b>122,432</b>
		<b>190,607</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>876,060</b>	<b>(715,103)</b>	<b>160,957</b>
		(1,150,863)	Re-measurements of the net defined benefit liability			1,308,952
		<b>(1,150,863)</b>	<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>1,308,952</b>
		<b>(960,256)</b>	Total comprehensive Income and Expenditure			<b>1,469,909</b>

This Comprehensive Income and Expenditure Statement should be compared with the analysis within the PCC and Group accounts to compare the costs over which the Chief Constable has direction and control to the total costs of the PCC and the Group.

The PCC funding for financial resources consumed represents funding received by the PCC which is transferred to the Chief Constable to enable him to deliver effective police services.



## CHIEF CONSTABLE'S MOVEMENT IN RESERVES STATEMENT 2016-17

This statement shows the movement in the 2015-16 and 2016-17 financial years on the different reserves held by the Chief Constable. This is analysed into usable reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. At present, the only transactions shown in this statement relate to the pensions reserve and the accumulated absences account reflecting movements relating to police officers and staff under the direction and control of the Chief Constable. All other reserves are managed by the PCC. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement.

	General Fund Balance	Pensions Reserve	Accumulated Absences Account	Total Reserves
	£'000	£'000	£'000	£'000
<b>Balance as at 01 April 2015</b>	<b>0</b>	<b>6,928,370</b>	<b>3,225</b>	<b>6,931,595</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>190,607</b>	<b>(1,150,863)</b>	<b>0</b>	<b>(960,256)</b>
Actual Amounts charged against the pensions fund for the year	96,954	(96,954)	0	0
Difference in pension costs between accounting basis and funding basis	(293,088)	293,088	0	0
Difference in employee remuneration costs (between accounting and funding basis)	(30)	0	30	0
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(196,163)</b>	<b>196,134</b>	<b>30</b>	<b>0</b>
Net increase or (decrease)	(5,556)	(954,729)	30	(960,256)
<b>Balance as at 31 March 2016</b>	<b>(5,556)</b>	<b>5,973,641</b>	<b>3,255</b>	<b>5,971,339</b>
<b>Balance as at 01 April 2016</b>	<b>(5,556)</b>	<b>5,973,641</b>	<b>3,255</b>	<b>5,971,339</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>160,957</b>	<b>1,308,952</b>	<b>0</b>	<b>1,469,909</b>
Actual Amounts charged against the pensions fund for the year	77,999	(77,999)	0	0
Difference in pension costs between accounting basis and funding basis	(233,081)	233,081	0	0
Difference in employee remuneration costs (between accounting and funding basis)	(319)	0	319	0
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(155,401)</b>	<b>155,082</b>	<b>319</b>	<b>0</b>
Net increase or (decrease)	5,556	1,464,034	319	1,469,909
<b>Balance as at 31 March 2017</b>	<b>0</b>	<b>7,437,675</b>	<b>3,573</b>	<b>7,441,248</b>

Note: Total Comprehensive Income and Expenditure is no longer split between Surplus or deficit on provision of services and Other comprehensive income and expenditure as this is shown in the Comprehensive Income and Expenditure Statement.





## CHIEF CONSTABLE'S BALANCE SHEET 2016-17

The Balance Sheet for the Chief Constable of West Midlands Police shows the value as at 31 March 2017 (the Balance Sheet date) of the assets and liabilities recognised by the CCWMP. The assets and liabilities recognised relate to the Police Officers and Police Staff under the direction and control of the Chief Constable. The net liabilities of the CCWMP are met by the reserves held by the entity.

	As at 31 March 2016		As at 31 March 2017		Notes
	£'000	£'000	£'000	£'000	
	0		0		
<b>Long Term Assets</b>					
<b>Total Long term Assets</b>		<u>0</u>		<u>0</u>	
<b>Current Assets</b>	0		0		
<b>Total Current Assets</b>		<u>0</u>		<u>0</u>	
<b>Current Liabilities</b>					
Short Term Creditors	(3,255)		(3,573)		16
<b>Total Current Liabilities</b>		<u>(3,255)</u>		<u>(3,573)</u>	
<b>Long term Liabilities</b>					
Liability relating to defined benefit pension scheme	(5,968,085)		(7,437,675)		17
<b>Total Long term Liabilities</b>		<u>(5,968,085)</u>		<u>(7,437,675)</u>	
<b>Net Assets/(Liabilities)</b>		<u>(5,971,339)</u>		<u>(7,441,248)</u>	
<b>Reserves</b>					
Usable Reserves		<u>(5,556)</u>		<u>0</u>	
Unusable Reserves		<u>5,976,895</u>		<u>7,441,248</u>	17
<b>Total reserves</b>		<u>5,971,339</u>		<u>7,441,248</u>	

The unusable reserves consist of a reserve for short term compensated absences of £3.6m and pension reserves of 7,437.7m.



## CHIEF CONSTABLE CASH FLOW STATEMENT 2016-17

The Cash Flow Statement shows the changes in cash and cash equivalents of the CCWMP during the reporting period. However, all the payments were made from the Police Fund which is held by the PCC. Similarly, all income and funding is received by the PCC so the Chief Constable does not have any real cash flows from operating activities.

As at 31 March 2015		Notes	As at 31 March 2016	
£'000	£'000		£'000	£'000
	<b>208,647</b>	Net deficit on the provision of services		<b>160,957</b>
		Adjust the net deficit on provision of services for non-cash movements		
(208,617)		Pensions Movements	(160,638)	
0		Increase/(decrease) in debtors	0	
(30)		(Increase)/decrease in creditors	(319)	
	<b>0</b>	<b>Net cash flows from operating activities</b>		<b>0</b>
	<b>0</b>	<b>Cash and cash equivalents</b>		<b>0</b>



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## **1. STATEMENT OF ACCOUNTING POLICIES**

### **General Principles**

The Statement of Accounts summarises the Force's transactions for the 2016-17 financial year and its position at the year end of 31 March 2017. The Chief Constable is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015. The regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 and the Service Reporting Code of Practice 2016-17 published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and supported by International Financial reporting Standards. Guidance notes issued by CIPFA on the application of accounting standards to local authorities have in general been followed, and any exceptions to this are disclosed below. The policies below reflect the powers and responsibilities of the Chief Constable of West Midlands Police as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012.

### **a. Operating Costs**

Costs are recognised within the Chief Constable's accounts to reflect the resources consumed by activities under his direction and control.

All expenditure within the group accounts is paid for by the PCCWM as the Office for the Police and Crime Commissioner holds all the funds and controls the bank accounts for the Group. Hence an intra-group adjustment is made to account for the resources consumed by the Chief Constable so that the net cost of police services for the Chief Constable are transferred to the PCC/Group.

### **b. Treatment of Grants**

The Chief Constable recognises specific revenue grants which relate to particular aspects of the Force's functions and have been shown as income in determining net expenditure. These include the Counter Terrorism Grant and other non-material Home Office grants. The Chief Constable also recognises the Police pensions top-up grant in financing and investment income in the Comprehensive Income and Expenditure account.

### **c. Employee Benefits**

#### **Benefits payable during employment**

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

IAS 19 Employee Benefits requires the CCWMP to account for short term compensating absences which include time owing and annual leave accrued by accruing for the benefits which have accumulated but have not been taken by the Balance Sheet date. The amount will be recognised in the Comprehensive Income and Expenditure Statement in the period in which officers gain entitlement to the benefit. The cost of annual leave entitlement and time off in lieu earned but not taken at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the next period. The full cost of short term compensated absences will be recognised in the accounts of the Chief Constable as the vast majority of staffing costs are recognised in the Chief Constable's accounts and any charge to the PCC would not be material.



## Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Organisation to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the Comprehensive Income and Expenditure Statement when the Chief Constable can no longer withdraw the offer of those benefits and when the Chief Constable recognises costs for a restructuring within the scope of IAS 37 involving the payment of such benefits.

## Post employment benefits

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

The Police Pension Scheme note includes a separate disclosure of the 1987 Police Pension Scheme liabilities, the 1987 Police Pension Scheme injury awards liabilities the 2006 Police Pension Scheme liabilities and the 2015 Police Pension Scheme liabilities. This disclosure reflects the material nature of all four schemes in operation. Scheme liabilities are shown on the Balance Sheet following the requirements of the code and IAS 19.

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

- a. The rate of contribution in 2016-17 was 11.4%.
- b. The liabilities of the scheme attributable to the Chief Constable are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- c. Liabilities are discounted to their value at current prices, using a discount rate of 6% (based on the indicative rate of return on AA rated corporate bonds of appropriate duration).
- d. The assets of the fund attributable to the Group are included in the Balance Sheet at their fair value:
  - i. Quoted securities – current bid price
  - ii. Unquoted securities – professional estimate
  - iii. Unitised securities – current bid price
  - iv. Property – market value
- e. The change in the net pensions liability is analysed into the following components:
  - i. *Current service cost* – the increase in liabilities as a result to years of service earned this year
  - ii. *Past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – this is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - iii. *Net Interest on the net defined benefit liability (asset)* – the net interest expenses for the organisation. This is debited to the financing and investing income and expenditure line in the Comprehensive Income and Expenditure Statement



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

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

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

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

#### **d. Value Added Tax**

The Chief Constable is not registered for VAT as an entity. The PCCWM submits a single VAT return to HM Revenue and Customs on behalf of the Group. Income and Expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

#### **e. Events after the end of the Reporting Period**

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

- Those that provide evidence of conditions that existed at the end of the reporting period – these are known as adjusting events and the Statement of Accounts is adjusted to reflect these events. The Operating cost statement of the Chief Constable will reflect any adjustments where appropriate.
- Those that are indicative of conditions that arose after the reporting period – these are known as non adjusting events and the Statement of Accounts is not adjusted to reflect such events. However, where the event would have a material effect on the accounts, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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



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

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

- Revenue from the sale of goods is recognised when the CCWMP transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the CCWMP
- Revenue from the provision of services is recognised when the CCWMP can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the CCWMP.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

## **g. Prior period adjustments, changes in accounting policies and estimates and errors**

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

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

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

## **h. Joint Operations**

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

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

## **2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the Code) and IAS 8 requires the PCCWM to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.





## **IFRS 9 Financial Instruments**

This amendment to IFRS 9 replaces the recognition and measurement of Financial Instruments as defined within IAS 39 and applies from 1<sup>st</sup> April 2018. Financial Assets held where there will be solely payments of Principal and Interest will adjust the measurement within the Accounts depending on whether these are Held to Collect (Amortised Cost) or Held to Collect and Sell (Fair Value). Impairments to Financial Instruments will need to be disclosed depending on the deterioration in Credit Quality for either a 12 month effect of credit losses or Lifetime credit losses. There will be additional lines, where applicable, within the CIES or notes presenting interest revenue calculated using effective interest rate, gains and losses on de-recognition of Financial Assets measured at Amortised cost and Impairment losses.

## **IFRS 15 Revenue from Contracts with Customers**

This Standard intends to recognise revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. The contract is identified and Performance obligations separated out with transaction prices allocated to each. Revenue should be recognised as and when an entity satisfies the performance obligations, which can be a staged process. The impact of this standard will be judged before application from 1<sup>st</sup> April 2018.

## **IFRS 16 Leases**

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

The standard establishes a new accounting model for lessees in which all leases for assets above \$5k for more than 12 months will be accounted for by recognising a 'right to use' asset on the Balance Sheet, together with a liability for the present value of the lease payments. This means that leases currently accounted for as operating leases would be treated similarly to finance leases but recognising only a proportion of the assets value.

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in pages 26 to 29 the CCWMP has had to make certain judgements about complex transactions involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- A fundamental judgement has been made in relation to the production of the Statement of Accounts for the Chief Constable, PCCWM and the Group. It has been determined that after the stage 2 transfer of resources which took place on 1 April 2014 the PCCWM continues to have ownership over the physical assets of the Group. All liabilities with the exception of pension liabilities and liabilities to pay accumulated compensated absences are also deemed to sit with the PCC. The income and expenditure of the Group have been split between the CCWMP and the PCCWM based on judgements about the nature of transactions, principally based on decisions about which entity has the ability to direct and control resources, the substance of transactions and in some cases their materiality. 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 cost to include in the financial statements in relation to the Chief Constable and the impacts of this on the PCC and Group accounts. Following the stage 2 transfer of resources which was interpreted based on the Scheme of Consents and Delegation between the 2 corporation soles, the Chief Constable controls and directs police officers, PCSOs and the majority of police staff (excluding those staff directly employed by the PCC to manage his office), therefore all pay and pensions costs associated with these staff groups are presented in the Chief Constables accounts. The CFOs for the PCC and Chief Constable have determined that the non-pay costs attributable to the assets and liabilities of the PCC will also form part of the cost of the Chief Constable since these are consumed under his direction and control.

#### 4. MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the CCWMP about the future, or that are otherwise uncertain. Estimates are made, taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Chief Constables Balance Sheet as at 31 March 2017 for which there are significant risks of material adjustment in the next financial year are detailed in the table below.

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex actuarial judgements related to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected rate of return on the assets invested in the pension scheme. The CC uses 2 firms of actuaries to provide expert advice about the assumptions to be applied to the Police Pension Schemes and the Local Government Pension Scheme.	The effect on the net pension liability of changes in individual assumptions can be measured but they interact in complex ways. The liability as at 31 March 2017 is £7,436.9m (£5,968.1m in 2015-16) so a small percentage change in the overall liability can have a material impact on the accounts

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



## NOTES TO THE CHIEF CONSTABLE'S COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### 6. EXPENDITURE AND FUNDING ANALYSIS

2015-16 Net Expenditure Chargeable to the General Fund Balance £'000	2015-16 Adjustments between Funding and Accounting Basis £'000	2015-16 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Chief Constable	2016-17 Net Expenditure Chargeable to the General Fund Balance £'000	2016-17 Adjustments between Funding and Accounting Basis £'000	2016-17 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
<b>Chief Constable</b>						
513,891	41,477	555,368	Chief Constable	538,279	32,966	571,245
10,859		10,859	WMP2020 Projects	12,896	3	12,899
(530,306)		(530,306)	Funding from the PCC	(545,619)		(545,619)
<b>(5,556)</b>	<b>41,477</b>	<b>35,921</b>	<b>Net Cost of Services</b>	<b>5,556</b>	<b>32,969</b>	<b>38,525</b>
0	154,686	154,686	Other Income and Expenditure	0	122,432	122,432
<b>(5,556)</b>	<b>196,163</b>	<b>190,607</b>	<b>Surplus or Deficit</b>	<b>5,556</b>	<b>155,401</b>	<b>160,957</b>

	<b>Chief Constable</b>	
	<b>2015/16</b>	<b>2016/17</b>
<b>Opening General Fund Balance</b>	0	(5,556)
<b>Less Deficit on General Fund Balance in Year</b>	(5,556)	5,556
<b>Closing General Fund Balance at 31 March</b>	(5,556)	0

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

2015-16 Net Change for the Pensions Adjustment (Note 1) £'000	2015-16 Other Differences (Note 2) £'000	2015-16 Total Adjustments between Funding and Accounting Basis £'000	Chief Constable	2016-17 Net Change for the Pensions Adjustment (Note 1) £'000	2016-17 Other Differences (Note 2) £'000	2016-17 Total Adjustments between Funding and Accounting Basis £'000
<b>Chief Constable</b>						
41,448	29	41,477	Chief Constable	32,647	319	32,966
		0	WMP2020 Projects	3		3
		0	Funding from the PCC			0
<b>41,448</b>	<b>29</b>	<b>41,477</b>	<b>Net Cost of Services</b>	<b>32,650</b>	<b>319</b>	<b>32,969</b>
154,686		154,686	Other Income and Expenditure	122,432		122,432
<b>196,134</b>	<b>29</b>	<b>196,163</b>	<b>Surplus or Deficit</b>	<b>155,082</b>	<b>319</b>	<b>155,401</b>

Note 1 – This shows which lines have been affected by the removal of pension contributions and replaced with IAS 19 transactions

Note 2 – This column includes adjustments for Accumulated Absences adjustments



## 8. SUBJECTIVE EXPENDITURE ANALYSIS OF THE NET COST OF POLICE SERVICES

2015-16 Restated £'000		2016-17 £'000
397,011	Financial Resources of the PCCWM consumed at the request of the Chief Constable	
126,487	Police Pay and Allowances	394,465
4,090	Police Staff and PCSO Pay and Allowances	127,595
	Other Employee Expenses	5,422
<b>527,588</b>	<b>Sub Total Employee Costs</b>	<b>527,482</b>
17,955	Premises Related Costs	20,986
8,332	Transport/Travel Costs	8,653
55,084	Supplies and Services	69,254
6,564	Agency Expenses	9,644
9,608	Capital Financing Costs	26,601
(60,031)	Income	(80,535)
1,127	Non distributed costs	2,059
<b>566,227</b>	<b>Total Financial Resources of the PCCWM consumed at the request of the Chief Constable</b>	<b>584,144</b>
<b>(530,306)</b>	<b>PCC funding for financial resources consumed</b>	<b>(545,619)</b>
<b>35,921</b>	<b>Net Cost of Policing Services</b>	<b>38,525</b>
154,686	Financing and investment income and expenditure	122,432
<b>190,607</b>	<b>Deficit on the provision of services</b>	<b>160,957</b>
(1,150,863)	Other Comprehensive Income and Expenditure	1,308,952
<b>(960,256)</b>	<b>Net Comprehensive Income and Expenditure</b>	<b>1,469,909</b>

Premises costs have increased due to payment of dilapidation costs for leased properties vacated as part of the Central Birmingham rationalisation. Other move costs and minor adaptations to buildings have been made to accommodate staff and officers in new locations.

Equipment purchases, significantly for the national CBRN hub, have increased funded spend on supplies & services this year with a corresponding increase in income received. There has also been investment in IT software and systems mainly for WMP2020 projects.

Agency expenses have increased with additional costs for Home Office ICT charges and some additional costs for Regional collaborations.

Revaluation losses in year have increased Capital Financing costs charged to comprehensive income and expenditure.

Additional income has been received to support the Counter Terrorism unit and CBRN unit. There has also been additional income from the Home Office to support Police Innovation Fund bids and to cover the cost of Operation Pelkin for 2016-17.



## 9. EMPLOYEE REMUNERATION

The following table shows the remuneration of employees under the direction and control of the Chief Constable of West Midlands Police whose remuneration is more than £50,000 per year. The values in this table exclude the staff of the Office for the Police and Crime Commissioner.

2015-16 Police Officers	2015-16 Police Staff	2015-16 Total	Earnings Band	2016-17 Police Officers	2016-17 Police Staff	2016-17 Total
6,370	3,690	10,060	Less than £49,999	6,077	3,639	9,716
274	27	301	£50,000 - £54,999	349	20	369
177	5	182	£55,000 - £59,999	176	10	186
37	8	45	£60,000 - £64,999	45	7	52
24	6	30	£65,000 - £69,999	15	6	21
5	2	7	£70,000 - £74,999	11	2	13
8	0	8	£75,000 - £79,999	18	1	19
8	4	12	£80,000 - £84,999	8	1	9
12	3	15	£85,000 - £89,999	12	4	16
0	0	0	£90,000 - £94,999	0	0	0
0	0	0	£95,000 - £99,999	1	0	1
1	0	1	£100,000 - £104,999	0	0	0
0	0	0	£105,000 - £109,999	0	0	0
1	0	1	£110,000 - £114,999	0	0	0
1	1	2	£115,000 - £119,999	2	0	2
0	0	0	£120,000 - £124,999	0	0	0
0	0	0	£125,000 - £129,999	0	0	0
0	0	0	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	0	0	0
0	0	0	£140,000 - £144,999	0	0	0
0	0	0	£145,000 - £149,999	0	0	0
0	0	0	£150,000 - £154,999	0	0	0
1	0	1	£155,000 - £159,999	1	0	1
0	0	0	£160,000 - £164,999	0	0	0
1	0	1	£165,000 - £169,999	0	0	0
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
0	0	0	£185,000 - £189,999	0	0	0
0	0	0	£190,000 - £194,999	1	0	1
0	0	0	£195,000 - £199,999	0	0	0
<b>6,920</b>	<b>3,746</b>	<b>10,666</b>	<b>Totals</b>	<b>6,716</b>	<b>3,690</b>	<b>10,406</b>



## 10. SENIOR OFFICERS REMUNERATION

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

### Senior Officers' remuneration in 2016-17

Post holder information	Note	Salary (inc fees and allowances) (£000)	Benefit in Kind (£000)	Total remuneration (Exc employer pension contributions) (£000)	Employers pension contributions (£000)	Total Remuneration (Inc. employers pension contributions) (£000)
Chief Constable D Thompson		191.3	6.0	197.3	40.1	237.3
Deputy Chief Constable	1	148.1	6.0	154.1	30.7	184.8
Assistant Chief Constable (1)		119.0	6.0	125.0	24.0	149.0
Assistant Chief Constable (2)		114.5	5.7	120.2	23.4	143.6
Assistant Chief Constable (3)		48.5	3.5	52.0	10.0	62.0
Assistant Chief Constable (4)		109.9	5.0	114.9	21.7	136.6
Assistant Chief Constable (5)	1	49.4	2.8	52.2	10.4	62.6
Director of Resources	2	68.9	6.0	74.9	7.8	82.8
Director of Commercial Services	3	38.8	1.5	40.3	4.4	44.7
Director of People & Organisation Development	4	24.4	1.5	25.9	2.4	28.3
<b>Total</b>		<b>912.9</b>	<b>44.0</b>	<b>956.9</b>	<b>174.9</b>	<b>1,131.8</b>

#### Notes:

- ACC (5) commenced temporary role of Assistant Chief Constable on Monday 19 September following the departure of ACC (3) to another Force.
- Director of Resources – post holder left on 7 October 2016. The role was then split into two new Executive Team functions – a Directorate of Commercial Services and a Directorate of People and Organisation Development. The Post holder's annualised salary was £122,400
- Director of Commercial Services – This post holder has filled the post on an acting basis from 24 October 2016. The Post holder's annualised salary is £93,100
- Director of People & Organisation Development commenced this role on Monday 23 January 2017. The Post Holder's annualised salary is £118,000



## Senior Officers' remuneration in 2015-16

Post holder information	Note	Salary (inc fees and allowances) (£000)	Benefit in Kind (£000)	Total remuneration (Exc employer pension contributions) (£000)	Employers pension contributions (£000)	Total Remuneration (Inc. employers pension contributions) (£000)
Chief Constable C Sims	1	165.5	3.1	168.6	0	168.6
Chief Constable D Thompson	2	34.4	1.4	35.8	7.2	43.0
Deputy Chief Constable (1)		121.4	4.6	126.0	25.4	151.4
Deputy Chief Constable (2)	3	24.6	1.0	25.6	5.1	30.7
Assistant Chief Constable (1)		113.4	5.7	119.1	23.1	142.2
Assistant Chief Constable (2)	4	82.3	3.0	85.3	20.1	105.4
Assistant Chief Constable (3)		119.8	4.6	124.4	23.6	148.0
Assistant Chief Constable (4)		105.1	4.7	109.8	21.6	131.4
Assistant Chief Constable (5)	5	17.1	1.0	18.1	3.6	21.7
Director of Resources		119.7	8.3	128.0	13.5	141.5
		903.3	37.4	940.7	143.2	1,083.9

### Notes:

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





## 11. TERMINATION BENEFITS

The 2016-17 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	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16 £'000	2016-17 £'000
£0 - £19,999	0	0	59	82	59	82	504	555
£20,000 - £39,999	0	0	12	15	12	15	409	427
£40,000 - £59,999	0	0	5	4	5	4	227	180
£60,000 - £79,999	0	0	1	6	1	6	79	416
£80,000 - £99,999	0	0	4	5	4	5	347	426
£100,000 +	0	0	1	8	1	8	153	1079
<b>Total</b>	<b>0</b>	<b>0</b>	<b>82</b>	<b>120</b>	<b>82</b>	<b>120</b>	<b>1,719</b>	<b>3083</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 2017 but who have not left the organisation at the Balance Sheet date.

The termination benefits note in the group accounts shows the addition of 6 staff with termination benefits totalling £564,000 who left the Office for the Police and Crime Commissioner in 2015-16.

## 12. EXTERNAL AUDIT COSTS

In 2016-17 the Chief Constable incurred the following fees relating to external audit:

	2015-16 £'000	2016-17 £'000
Fees payable to Grant Thornton UK LLP with regard to audit services carried out by the appointed auditor	23	23
Fees payable in respect of other services provided by the appointed auditor	2	13

The appointed auditor in 2016-17 was Grant Thornton UK LLP. The audit fee for the Chief Constable's accounts for the year was £22,500. In addition Grant Thornton provided tax advice to the Group and represented the Group in a national group action against HMRC.



### 13. GRANT INCOME

The Chief Constable credited the following grants to the Comprehensive Income and Expenditure Statement in 2016-17.

	2015-16	2016-17
	£'000	£'000
<b><i>Credited to Taxation and Non Specific Grant Income</i></b>		
Pensions top up grant receivable	73,662	88,949
Total	73,662	88,949
<b><i>Credited to Police Services</i></b>		
Loan Charges Grant	592	470
Counter Terrorism Grant	31,170	45,064
Other Grants	3,907	9,789

### 14. RELATED PARTY TRANSACTIONS

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

#### Central Government

The UK Government exerts significant influence over the operations of the Chief Constable – it is responsible for providing the statutory operating framework and provides the majority of funding in the form of grants which are paid to the PCCWM. It also prescribes the terms of many of the transactions that the PCCWM Group has with other parties. The grants received from Central Government to the PCCWM are set out in the PCCWM and Group Statement of Accounts.

#### Pension schemes

The Local Government Pension Scheme is administered by Wolverhampton City Council and payments of £17.2m were made to them in 2016-17 (£27.72m in 2015-16)

#### Officers

No Chief Officers of the Force have declared any related party transactions in 2016-17.



## 15. AGENCY EXPENDITURE

	31 March 2015 £'000	31 March 2017 £'000
Levies	4,747	4,726
Government Departments	1,319	2,702
Health Authorities	25	129
Other Local Authorities	194	474
All other bodies	279	1,613
<b>Total agency expenditure</b>	<b>6,564</b>	<b>9,644</b>

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



## NOTES TO THE CHIEF CONSTABLE'S BALANCE SHEET

### 16. UNUSABLE RESERVES

The Chief Constable recognises two unusable reserves in his Balance Sheet. These relate to Police and Police staff pensions and accumulated compensated absences.

#### Pensions Reserve

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

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

	31 March 2016 £'000	31 March 2017 £'000
Balance at 1 April	6,928,370	5,973,641
Remeasurements of the net defined benefit liability or asset	(1,150,863)	1,308,952
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	293,088	233,081
Employers' pensions contributions and direct payments to pensioners payable in the year	(96,954)	(77,999)
<b>Balance as at 31 March</b>	<b>5,973,641</b>	<b>7,437,675</b>

#### Accumulating Compensated Absences Adjustment Account

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

	2015-16 £'000	2016-17 £'000
<b>Balance at 1 April</b>	<b>3,225</b>	<b>3,255</b>
Settlement or cancellation of accrual made at the end of the previous year	0	0
Amounts accrued at the end of the current year	3,225	3,255
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	30	319
<b>Balance at 31 March</b>	<b>3,255</b>	<b>3,573</b>



## 17. DEFINED BENEFIT PENSION SCHEMES

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

The Group participates in two post-employment schemes:

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

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

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

The tables which follow show pension transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year. The Chief Constable is responsible for the pension payments for all Police Officers and Police staff with the exception of the staff of the Office for Policing and Crime. The statements which follow show transactions for the Chief Constable and the Group separately because the assets and liabilities in the Local Government pension Scheme are now disclosed separately by the group's actuary.

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



## Comprehensive Income and Expenditure Statement

2016-2017	Local Government Pension Scheme CC element £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
<u>Net cost of services:</u>						
Current service cost	(20,500)	(41,310)	(2,350)	(1,360)	(43,070)	<b>(108,590)</b>
Past service (cost)/ gain	0	0	0	0	0	<b>0</b>
Curtailments	(2,059)	0	0	0	0	<b>(2,059)</b>
<u>Financing and Investing Income &amp; Expenditure:</u>						
Net Interest cost	(8,381)	(188,000)	(4,360)	(7,260)	(3,130)	<b>(211,131)</b>
Administration cost	(250)	0	0	0	0	<b>(250)</b>
<b>Total post-employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(31,190)</b>	<b>(229,310)</b>	<b>(6,710)</b>	<b>(8,620)</b>	<b>(46,200)</b>	<b>(322,030)</b>
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	<b>0</b>
Re-measurement of the net defined benefit liability/asset comprising:						
Return on plan assets (excluding the amount included in the net interest cost)	85,982	0	0	0	0	<b>85,982</b>
Actuarial gains and losses arising on changes in demographic assumptions	14,813	112,960	29,620	(10)	0	<b>157,383</b>
Actuarial gains and losses arising on changes in financial assumptions	(238,332)	(1,220,770)	(20,590)	(99,590)	(56,910)	<b>(1,636,192)</b>
Experience gains and losses arising on the pension liabilities	38,082	16,360	13,810	(330)	2,630	<b>70,552</b>
<b>Net charge to I and E account</b>	<b>(130,645)</b>	<b>(1,320,760)</b>	<b>16,130</b>	<b>(108,550)</b>	<b>(100,480)</b>	<b>(1,644,305)</b>



2015-2016	Local Government Pension Scheme CC element £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
<b>Net cost of services:</b>						
Current service cost	(22,504)	(61,450)	(6,950)	(2,160)	(44,210)	<b>(137,274)</b>
Past service (cost)/ gain	0	0	0	0	0	<b>0</b>
Curtailments	(1,127)	0	0	0	0	<b>(1,127)</b>
<b>Financing and Investing Income &amp; Expenditure:</b>						
Net Interest cost	(8,066)	(206,150)	(4,260)	(8,660)	(1,010)	<b>(228,146)</b>
Administration cost	(202)	0	0	0	0	<b>(202)</b>
<b>Total post-employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(31,899)</b>	<b>(267,600)</b>	<b>(11,210)</b>	<b>(10,820)</b>	<b>(45,220)</b>	<b>(366,749)</b>
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	<b>0</b>
Re-measurement of the net defined benefit liability/asset comprising:						
Return on plan assets (excluding the amount included in the net interest cost)	(14,275)	0	0	0	0	<b>(14,275)</b>
Actuarial gains and losses arising on changes in demographic assumptions	0	92,790	1,380	3,350	910	<b>98,430</b>
Actuarial gains and losses arising on changes in financial assumptions	46,506	550,360	14,490	47,310	5,360	<b>664,026</b>
Experience gains and losses arising on the pension liabilities	0	388,202	(2,980)	18,190	(730)	<b>402,682</b>
<b>Net charge to I and E account</b>	<b>332</b>	<b>763,752</b>	<b>1,680</b>	<b>58,030</b>	<b>(39,680)</b>	<b>784,114</b>



## Movement in Reserves Statement

2016-2017	Local Government Pension Scheme CC element £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS 19	31,250	229,310	6,710	8,620	46,200	<b>322,090</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>						
Employer's contributions payable to the scheme	(11,542)	0	0	0	0	<b>(11,542)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	(166,850)	(2,460)	(120)	18,950	<b>(150,480)</b>

2015-2016	Local Government Pension Scheme CC element £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS 19	31,899	267,600	11,210	10,820	45,220	<b>366,749</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>						
Employer's contributions payable to the scheme	(21,961)	0	0	0	0	<b>(21,961)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	(153,170)	(2,450)	370	17,780	<b>(137,470)</b>

In the above table the reversal of net charges for retirement benefits in accordance with International Financial Accounting Standards includes the pension top up grant payable to the Chief Constable from the Home Office. This grant is excluded in the Movement in Reserves Statement on page 22 which shows the adjustments within the pensions reserve affecting the overall movement in reserves.





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

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

2016-2017	Funded liabilities: LGPS CC element £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(932,451)	(6,512,857)	(104,250)	(312,060)	(176,910)	<b>(8,038,528)</b>
Fair value of plan assets	602,588	0	0	0	0	<b>602,588</b>
<b>Sub-total</b>	<b>(329,863)</b>	<b>(6,512,857)</b>	<b>(104,250)</b>	<b>(312,060)</b>	<b>(176,910)</b>	<b>(7,435,940)</b>
Other movements in the liability	0	797	0	0	0	<b>797</b>
Net liability arising from the defined benefit obligation	<b>(329,863)</b>	<b>(6,512,060)</b>	<b>(104,250)</b>	<b>(312,060)</b>	<b>(176,910)</b>	<b>(7,435,143)</b>

2015-2016	Funded liabilities: LGPS CC element £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(710,483)	(5,357,800)	(122,840)	(203,890)	(57,480)	<b>(6,452,493)</b>
Fair value of plan assets	485,205	0	0	0	0	<b>485,205</b>
<b>Sub-total</b>	<b>(225,278)</b>	<b>(5,357,800)</b>	<b>(122,840)</b>	<b>(203,890)</b>	<b>(57,480)</b>	<b>(5,967,288)</b>
Other movements in the liability	0	(797)	0	0	0	<b>(797)</b>
Net liability arising from the defined benefit obligation	<b>(225,278)</b>	<b>(5,358,597)</b>	<b>(122,840)</b>	<b>(203,890)</b>	<b>(57,480)</b>	<b>(5,968,085)</b>



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

<b>2016-2017</b>	<b>Funded liabilities: Local Govt Pension Scheme (CC element) £'000</b>	<b>Unfunded liabilities: 1987 Police Pension Scheme £'000</b>	<b>Unfunded liabilities: Injury Awards Pensions £'000</b>	<b>Unfunded liabilities: 2006 Police Pension Scheme £'000</b>	<b>Unfunded liabilities: 2015 Police Pension Scheme £'000</b>	<b>Total £'000</b>
1 April -16	<b>(710,483)</b>	<b>(5,358,597)</b>	<b>(122,840)</b>	<b>(203,890)</b>	<b>(57,480)</b>	<b>(6,453,290)</b>
Current service cost	(20,500)	(41,310)	(2,350)	(1,360)	(43,070)	(108,590)
Interest cost	(26,817)	(188,000)	(4,360)	(7,260)	(3,130)	(229,567)
Contributions by scheme participants	(5,652)	(11,990)	0	(490)	(19,430)	(37,562)
Transfers into the scheme	0	(350)	0	(280)	0	(630)
Re-measurement of the defined benefit obligation	(185,437)	(1,091,450)	22,840	(99,930)	(54,280)	(1,408,257)
Benefits paid	17,302	178,040	2,460	610	480	198,892
Curtailments	(2,059)	0	0	0	0	(2,059)
Past service costs	0	0	0	0	0	0
Other movements in the liability	0	797	0	0	0	797
31 March-17	<b>(933,646)</b>	<b>(6,512,060)</b>	<b>(104,250)</b>	<b>(312,600)</b>	<b>(176,910)</b>	<b>(8,039,466)</b>

<b>2015-2016</b>	<b>Funded liabilities: Local Govt Pension Scheme (CC element) £'000</b>	<b>Unfunded liabilities: 1987 Police Pension Scheme £'000</b>	<b>Unfunded liabilities: Injury Awards Pensions £'000</b>	<b>Unfunded liabilities: 2006 Police Pension Scheme £'000</b>	<b>Unfunded liabilities: 2015 Police Pension Scheme £'000</b>	<b>Total £'000</b>
1 April -15	<b>(719,224)</b>	<b>(6,292,860)</b>	<b>(126,970)</b>	<b>(260,970)</b>	<b>0</b>	<b>(7,400,024)</b>
Current service cost	(22,504)	(61,450)	(6,950)	(2,160)	(44,210)	(137,274)
Interest cost	(24,301)	(206,150)	(4,260)	(8,660)	(1,010)	(244,381)
Contributions by scheme participants	(5,761)	(13,970)	0	(550)	(18,210)	(38,491)
Transfers into the scheme	0	(700)	0	(580)	(20)	(1,300)
Re-measurement of the defined benefit obligation	46,506	1,050,190	12,890	68,850	5,540	1,183,976
Benefits paid	15,928	167,140	2,450	180	430	186,128
Curtailments	(1,127)	0	0	0	0	(1,127)
Past service costs	0	0	0	0	0	0
Other movements in the liability	0	(797)	0	0	0	(797)
31 March-16	<b>(710,483)</b>	<b>(5,358,597)</b>	<b>(122,840)</b>	<b>(203,890)</b>	<b>(57,480)</b>	<b>(6,453,290)</b>



## Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme CC Element £'000	
	2015-16	2016-17
1 April	471,653	485,205
Interest on plan assets	16,235	18,436
Return on plan assets excluding the amount included in the net interest expense	(14,275)	85,982
Other actuarial gains and (losses)	0	13,323
Employer contributions	21,961	11,542
Member contributions	5,761	5,652
Benefits paid	(15,928)	(17,302)
Administration expenses	(202)	(250)
31 March	<b>485,205</b>	<b>602,588</b>

## History of the Scheme

	2016-17	2015-16	2014-15	2013-14	2012-13
	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme CC element	(933,646)	(710,483)	(719,224)	(556,975)	(570,623)
Local Government Pension Scheme PCC element	(5,436)	(5,867)	(5,382)	(4,495)	0
1987 Police Pension Scheme	(6,512,060)	(5,358,597)	(6,292,860)	(5,424,560)	(5,473,010)
Police Injury award Pensions	(104,250)	(122,840)	(126,970)	(187,630)	(210,810)
2006 Police Pension Scheme	(312,600)	(203,890)	(260,970)	(194,530)	(185,220)
2015 Police Pension Scheme	(176,910)	(57,480)	0	0	0
Fair value of assets in the Local Government Pension Scheme CC element	602,588	485,205	471,653	401,127	378,872
Fair value of assets in the Local Government Pension Scheme PCC element	3,379	3,729	3,278	3,032	0
<b>Subtotal</b>	<b>(7,438,935)</b>	<b>(5,970,223)</b>	<b>(6,930,475)</b>	<b>(5,964,031)</b>	<b>(6,060,791)</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme CC element	(331,058)	(225,278)	(247,571)	(155,848)	(191,751)
Local Government Pension Scheme PCC element	(2,057)	(2,138)	(2,104)	(1,463)	0
1987 Police Pension Scheme	(6,512,060)	(5,358,597)	(6,292,860)	(5,424,560)	(5,473,010)
Police Injury award Pensions	(104,250)	(122,840)	(126,970)	(187,630)	(210,810)
2006 Police Pension Scheme	(312,600)	(203,890)	(260,970)	(194,530)	(185,220)
2015 Police Pension Scheme	(176,910)	(57,480)	0	0	0
<b>Total</b>	<b>(7,438,935)</b>	<b>(5,970,223)</b>	<b>(6,930,475)</b>	<b>(5,964,031)</b>	<b>(6,060,791)</b>



The above table presents the liabilities of the Local Government and Police Pension Schemes with the elements relating to the Police and Crime Commissioner shown separately. The total value of the liability for the pension schemes disclosed in the Chief Constables Balance Sheet excludes the PCC element of the Local Government Pension Scheme and is thus £7,436.9m.

The liabilities show the underlying commitments that the CCWMP has in the long run to pay post-employment (retirement) benefits. The total liability of £7,436.9m within the Chief Constable's Balance Sheet has a substantial impact on the net worth of the Group recorded in the Group Balance Sheet, resulting in a negative overall balance of £7,195.0m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy:

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

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme liabilities have been assessed by the Government Actuary's Department and the Police Staff liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries.

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

	Chief Constable Portion of Local Government Pension Scheme		Police Pension Scheme	
	£'000		£'000	
	2015-16	2016-17	2015-16	2016-17
	Years	Years	Years	Years
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	23.0	21.8	23.1	23.2
Women	25.7	24.2	25.1	25.2
Longevity at 65 for future pensioners:				
Men	25.3	23.9	25.1	25.2
Women	28.0	26.5	27.2	27.3
	%	%	%	%
Rate of CPI inflation	2.20	2.70	2.20	2.35
Rate of increase in salaries	3.95	4.20	4.50	4.35
Rate of increase in pensions	2.20	2.70	2.50	2.35
Rate for discounting scheme liabilities	3.80	2.80	4.40	2.65
Proportion of employees opting to take a commuted lump sum	50	50	n/a*	n/a*

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



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

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

Local Government Pension Scheme Chief Constable	Sensitivity analysis	Impact on the defined benefit obligation in the scheme		
		£000's	£000	£000
<b>Adjustment to the discount rate</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	913,822	933,646	953,921
<b>Adjustment to 1% p.a. short term salary increase</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	33,551	34,444	35,361
<b>Adjustments to pension increases and deferred valuations</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	937,709	933,646	929,624
<b>Adjustment to life expectancy assumptions</b>	Present value of total obligation	<b>+ 1 year</b>	<b>No change</b>	<b>- 1 year</b>
	Projected service cost	34,444	34,444	34,444
	Present value of total obligation	949,859	933,646	917,806
	Projected service cost	35,361	34,444	33,550
	Present value of total obligation	967,136	933,646	901,350
	Projected service cost	35,543	34,444	33,379

Police Pension Scheme	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£000's	£000's
Longevity (increase or decrease of 1 year)	180,400	(180,400)
Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%)	655,000	(655,000)
Rate of increase in salaries (increase or decrease by 0.5%)	108,200	(108,200)
Rate of discounting scheme liability (increase or decrease by 0.5%)	(718,300)	718,300



The police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund relating to the Chief Constable are valued at fair value, (the bid price of investments held), totalling £602.6m for the fund as a whole at 31 March 2017 (£485.2m at 31 March 2016). The Fund assets consist of the following categories by proportion of the total assets of the Fund:

Asset category	Sub category	Quoted Y or N	Fair value of assets held	
			31 March 2016	31 March 2017
			£'000	£'000
Cash and cash equivalents	Cash instruments and accounts	Y	0	0
	Cash instruments and accounts	N	21,995	17,198
<b>Total Cash</b>			<b>21,995</b>	<b>17,198</b>
Equity Instruments	UK quoted	Y	56,769	110,274
	UK unquoted	N	2,911	0
	Overseas quoted	Y	174,993	233,262
	Overseas unquoted	N	56,769	44,591
<b>Total equity</b>			<b>291,442</b>	<b>388,127</b>
Bonds	UK Government fixed	Y	0	0
	UK Government fixed	N	6,793	7,231
	UK Government indexed	Y	0	37,724
	UK Government indexed	N	30,813	0
	UK Other	Y	11,545	0
	UK Other	N	10,575	24,706
	Overseas other	Y	0	0
	Overseas other	N	3,881	4,218
Other	Y	0	0	
<b>Total Bonds</b>			<b>63,607</b>	<b>73,879</b>
Property	UK and Property Funds	Y	39,711	46,420
<b>Total property</b>			<b>39,711</b>	<b>46,420</b>
Alternatives	Commodities	Y	0	0
	Infrastructure	Y	970	603
	Infrastructure	N	16,497	18,078
	Absolute Return	Y	0	0
	Absolute Return	N	26,237	31,167
	Other fixed interest	Y	13,586	0
Other fixed interest	N	11,160	27,116	
<b>Total Alternatives</b>			<b>68,450</b>	<b>76,964</b>
<b>Total Assets held</b>			<b>485,205</b>	<b>602,588</b>



## 18. DISCRETIONARY PENSION PAYMENTS

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

	<b>2015-16 Capitalised Value £'000</b>	<b>2016-17 Actual Payments £'000</b>	<b>2016-17 Capitalised Value £'000</b>
Payments made in respect of decisions made in the year	0	0	0
Payments made in respect of decisions made in previous years	2,157	111	1,991
	<b>2,157</b>	<b>111</b>	<b>1,991</b>

## 19. CONTINGENT LIABILITIES AND ASSETS

The Chief Constable of West Midlands Police, along with other Chief Constables and the Home Office, currently has 484 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016-17 Accounting Statements.



## 20. JOINTLY CONTROLLED OPERATIONS

### (a) CENTRAL MOTORWAY POLICE GROUP

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

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

The 3 PCCs 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 2016-17 are as follows:

2015-16 £'000		2016-17 £'000
<b>Funding provided to the pooled budget</b>		
(3,987)	Contribution from West Midlands Police	(4,136)
(1,991)	Contribution from West Mercia Police	(1,739)
(1,875)	Contribution from Staffordshire Police	(1,839)
<b>(7,853)</b>	<b>Total funding provided to the pooled Budget</b>	<b>(7,714)</b>
<b>Expenditure met from the pooled budget</b>		
7,057	Pay and allowances	7,049
68	Premises costs	68
539	Transport costs	429
196	Supplies and Services	168
0	SPP grant	
<b>7,860</b>	<b>Total expenditure</b>	<b>7,714</b>
<b>Income received to the Pooled budget</b>		
0	Miscellaneous income	0
(7)	External funding	(3)
<b>(7)</b>	<b>Total income received</b>	<b>(3)</b>
<b>7,853</b>	<b>Total Net Expenditure</b>	<b>7,711</b>
0	Net surplus/(deficit) arising during the year	0
0	West Midlands Police share of 50.7% of the net surplus/(deficit) arising during the year	0

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

The costs met by West Midlands Police in funding the Central Motorway Police Group are shown in the Comprehensive Income and Expenditure Statement as part of the costs of Roads Policing.





## (b) REGIONAL ORGANISED CRIME UNIT

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

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

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

2015/16 £'000s		2016/17 £000's
	<b>Funding provided to WMROCU</b>	
(1,429)	Contribution from West Midlands Police	(4,858)
(691)	Contribution from West Mercia Police	(1,426)
(361)	Contribution from Staffordshire Police	(1,587)
(261)	Contribution from Warwickshire Police	(733)
(1,745)	WMROCU Grant	(2,413)
(306)	National Cyber Security Programme funding	(358)
(166)	Regional Asset Recovery Team grant	(168)
(669)	Additional Home Office funding (grant provided mid-year in 2015-16)	
<b>(5,628)</b>	<b>Total funding</b>	<b>(11,543)</b>
	<b>WMROCU expenditure</b>	
1,083	Regional Asset Recovery Team (RART)	997
166	RART – ACE team	168
725	Regional Cyber Crime Unit	789
240	Regional Fraud Team	196
950	Regional Intelligence Unit	784
949	Regional Prisons Intelligence Unit	879
822	UKPPS (protected Persons)	893
185	Project Management	82
74	Project Management (Phase 2)	0
48	Operational Security	76
0	Regional Government Agency Intelligence Network	49
201	Command Team	948
185	Regional Confidential Unit	3,984
0	TIDU – Technical Intelligence	741
0	Other Regional Operations	957
<b>5,628</b>	<b>Total expenditure</b>	<b>11,543</b>
<b>0</b>	<b>Total Net Expenditure</b>	<b>0</b>



## POLICE PENSION FUND ACCOUNT

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

2015-16 £'000	Police Pension Fund Account	2016-17 £'000	£'000
	<b>Fund Account</b>		
	Contributions receivable:		
	From employer:		
(50,698)	Normal	(49,784)	
(2,770)	Early retirements	(3,116)	
0	30+ contributions	0	
(53,468)		(52,900)	
(32,734)	From members	(31,861)	
(32,734)		(31,861)	
(1,296)	Transfers in	(584)	
(1,296)		(584)	
<b>(87,498)</b>	<b>Total income into the Pension Fund</b>		<b>(85,345)</b>
	Benefits payable:		
136,728	Pensions	140,419	
28,435	Lump sums	39,931	
441	Lump sum death benefits	250	
0	30+ benefits payable	0	
155	Benefits payable to other regional forces re earlier reorganisations	103	
165,759		180,703	
	Payments to and on account of leavers:		
4	Refunds of contributions	47	
2,298	Individual transfers out to other schemes	316	
1	Other	6	
2,303		369	
<b>168,062</b>	<b>Total payments from the pension fund</b>		<b>181,072</b>
<b>80,564</b>	<b>Net amount payable for the year</b>		<b>95,727</b>
(6,903)	2.9% employer contributions met by the Police and Crime Commissioner		(6,778)
(73,661)	Additional contribution received from the Police and Crime Commissioner		(88,949)
<b>0</b>			<b>0</b>



## Net Assets Statement

Net current assets and liabilities	2015-16	2016-17
	£'000	£'000
Current assets	0	0
Current liabilities	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### Notes to the Police Pension Fund Account

1. The police pension fund account has been prepared in accordance with the Police Pension Regulations 2007 and the accounting policies detailed on page 26 of this Statement of Accounts.
2. The police pension fund is administered by the Chief Constable of West Midlands Police.
3. All benefits payable during 2016-17 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2017 are not included. These liabilities are recognised within the Comprehensive Income and Expenditure Statement and are detailed in note 17.
4. The police pension fund scheme is an unfunded defined benefit scheme. This means that there are no assets to the scheme and that all benefits payable are funded by contributions from employers and employees. Any difference that arises in the year between the benefits payable and the contributions received is met by a top up grant received from the Home Office.
5. Employee and employer contributions into the scheme are based on percentages of pensionable pay set nationally by the Home Office and subject to a triennial revaluation by the Government Actuaries Department. During 2016-17 the contribution rates were as follows :-

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

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

- Employees Contribution – 11% for old and 2006 new police pension scheme
- Employees Contribution – 12.44% for 2015 new police pension scheme

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

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

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

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



## Appendix: Restatement of the Comprehensive Income and Expenditure Statement

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the United Kingdom. The 2016-17 Code requires that authorities present expenditure and income on services on the basis of reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SeRCoP). This appendix shows how the net expenditure and income has been restated.

Gross Expenditure	CIES 2015/16	Apportioned costs	POA categories	Non-Distributed costs	CDC	Levies & Secondments	As restated
Local Policing	246,979	(51,114)	(195,865)				0
Dealing with the Public	44,620	(9,062)	(35,558)				0
Criminal Justice Arrangements	37,146	(7,913)	(29,233)				0
Roads Policing	20,191	(4,101)	(16,090)				0
Specialist Operations	34,372	(6,981)	(27,391)				0
Intelligence	41,778	(8,484)	(33,294)				0
Investigation	133,451	(27,102)	(106,349)				0
Investigative Support	13,885	(2,820)	(11,065)				0
National Policing	46,089	(9,360)	(36,729)				0
Non Distributed Costs	1,127			(1,127)			0
Corporate and Democratic Core	0				0		0
Levies to National Police Service	4,746					(4,746)	0
Seconded Officers	1,875					(1,875)	0
<b>NET COST - GENERAL FUND SERVICES</b>	626,259						626,259
<b>Chief Constable</b>		118,124	488,885	1,127	0	6,621	614,757
<b>WMP2020 Projects</b>		8,813	2,689				11,502

Gross Income	CIES 2015/16	Apportioned costs	POA categories	Non-Distributed costs	CDC	Levies & Secondments	As restated
Local Policing	(2,628)	185	2,443				0
Dealing with the Public	0						0
Criminal Justice Arrangements	(3,525)	248	3,277				0
Roads Policing	(4,993)	352	4,641				0
Specialist Operations	(6,143)	432	5,711				0
Intelligence	(2,187)	154	2,033				0
Investigation	(3,533)	249	3,284				0
Investigative Support	(34)	2	32				0
National Policing	(35,114)	2,472	32,642				0
Non Distributed Costs	0						0
Corporate and Democratic Core	0				0		0
Levies to National Police Service	0						0
Seconded Officers	(1,875)					1,875	0
<b>NET COST - GENERAL FUND SERVICES</b>	(63,116)						(63,116)
<b>Chief Constable</b>		(4,195)	(53,319)		0	(1,875)	(59,389)
<b>WMP2020 Projects</b>		101	(744)				(643)



Net Income & Expenditure	CIES 2015/16	Apportioned costs	POA categories	Non-Distributed costs	CDC	Levies & Secondments	As restated
Local Policing	244,351	(50,929)	(193,422)				0
Dealing with the Public	44,620	(9,062)	(35,558)				0
Criminal Justice Arrangements	33,621	(7,665)	(25,956)				0
Roads Policing	15,198	(3,749)	(11,449)				0
Specialist Operations	28,229	(6,549)	(21,680)				0
Intelligence	39,591	(8,330)	(31,261)				0
Investigation	129,918	(26,853)	(103,065)				0
Investigative Support	13,851	(2,818)	(11,033)				0
National Policing	10,975	(6,888)	(4,087)				0
Non Distributed Costs	1,127			(1,127)			0
Corporate and Democratic Core							0
Levies to National Police Service	4,746					(4,746)	0
Seconded Officers							0
<b>NET COST - GENERAL FUND SERVICES</b>	566,227						566,227
<b>Chief Constable</b>		113,929	435,566	1,127		4,746	555,368
<b>WMP2020 Projects</b>		8,914	1,945				10,859

## GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

**CCWMP** – Chief Constable of West Midlands Police. This is the name of the entity which has direction and control over the police force and is headed by the Chief Constable.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**PCCWM** – This stands for Police and Crime Commissioner for West Midlands. This is the entity which is headed by the Police and Crime Commissioner and whose role is to hold the Chief Constable to Account, to agree the Policing and Crime Plan, and to agree the budget for the Police Force.

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

**REMEASUREMENTS** – These are re-measurements of the net defined pension liability which comprise of returns on pension plan assets (excluding an amount including in net interest) and changes in actuarial



gains and losses. These are shown on the Comprehensive Income and Expenditure Statement as other Comprehensive Income and Expenditure.

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

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

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

**SeRCOP** – Service Reporting Code of Practice. This replaced the BVACOP as a method of providing a consistent and comparable total cost of services in Local Authority Accounting.