

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

**2017-18**

# STATEMENT OF ACCOUNTS 2017-18

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## **NARRATIVE REPORT**

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

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

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

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

### **Role of Police and Crime Commissioner**

There are 39 police and crime commissioners in England and Wales covering the 41 forces outside of London. The governance of the Metropolitan Police Service is a duty of the Mayor of London and the City of London Corporation governs the City of London Police. In Greater Manchester the recently elected Mayor combines the mayor role with that of Police and Crime Commissioner. Together with the Home Secretary and chief police officers, the Commissioner and Chief Constable are responsible for the management of policing in England and Wales.

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

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

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

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

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

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

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

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

### **Role of Chief Constable**

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

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

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

The Chief Constable has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE 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 Police and Crime Commissioner for the West Midlands (PCCWM) and the consolidated accounts of the corporation soles of Police and Crime Commissioner for the West Midlands and the Chief Constable of West Midlands Police (CCWMP). The Statement of Accounts has been prepared following the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. This interprets the International Financial Reporting Standards on which the accounts of the PCCWM are required to be based.

The primary function of the office of Chief Constable of West Midlands Police is the exercise of operational policing duties under the Police Act 1996. The role of the Office for the Police and Crime Commissioner is to hold the Chief Constable to account for the exercise of these duties thereby securing the maintenance of an efficient and effective police force in the West Midlands. A separate set of statutory accounts have been published for the Chief Constable to recognise all the financial transactions incurred during 2017/18 for policing the West Midlands area.

The Statement of Accounts for the PCCWM group consists of:

### 1. Police and Crime Commissioners Approval

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

### 2. Annual Governance Statement

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

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

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

### 4. Auditors report

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

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

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

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

PCCWM during the year showing the total comprehensive income and expenditure of the PCCWM.

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

## 6. Additional notes and disclosures

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

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

- **Police Pension Fund and notes to the Police Pension Fund scheme** - The Police Pension Fund Account presents the income received in respect of employers' and employees' pension contributions with employers' contributions made at a rate of 21.3% of police officers' pay. It then presents the expenditure from the fund as police pensions paid during the year. Any surplus or deficit on this account at the end of the year is paid to, or claimed from the Comprehensive Income and Expenditure Statement of the Chief Constable within Financing and Investment Income and Expenditure.

## REVENUE OUTTURN 2017-18

The overall revenue outturn position for the Group is an underspend of £11.5m against the budget of £553.3m. This represents 2.1% of the total budget. This is broadly in line with outturn forecasts made during the financial year.

The revenue outturn position for the Police Force is an underspend at the end of the financial year of £8.4m or just 1.6% of the Force level budget. This occurred largely as a result of a delays which are related to projects within the WMP 2020 change programme. Most of this underspend has been carried forward to continue the projects.

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

The following paragraphs detail the Group's expenditure in 2017-18 and how this differed from the budget.

### Pay related expenditure

The £11.2m overspend within pay related expenditure is an over spend within Police Staff pay offset by underspends in Police Officer and Police Community Support Officers (PCSO) Pay. Police Officer and PCSO pay has under spent as a result of re-profiling recruitment plans, along with a reduction in the amount of payments for Officer Ill Health retirement.

The over spend within Police Staff pay is made up of a number of factors in a year that has seen a significant period of activity for the change programme where a number of the larger, more complex projects were due to realise financial benefits from police staff pay reductions. The budget set for 2017-18 took account of both the anticipated costs and savings from these projects. Whilst many projects delivered the expected benefits, a change in demand or Force priorities has required some of the benefits from police staff pay to be temporarily delayed or reinvested.

### Premises related expenditure

There is a small underspend as a result of savings on rates rebates, utility costs, building maintenance and property rentals.

### Transport related expenditure

The underspend of £1.2m within transport is due to the lower than anticipated price of fuel along with greater efficiency of vehicles and a reduction in miles travelled.

### Supplies and Services related expenditure

The overspend of £1.7m is due to planned savings on telephony, mobile and Airwave communication having been delayed.

### External Income

The budget for external income was exceeded by £10.0m and was largely due to increased levels of grant funding for the Firearms Uplift and the Regional Organised Crime Unit, along with over



achievement of income within areas such as secondments, Roads Policing, Police Led Prosecutions and Immigration Prisoner Fees.

### West Midlands Police and Crime Commissioner

Within the Office of the PCC there was an underspend of £3.1m which relates to re-phasing of projects within the Active Citizens programme and grant funded initiatives. This will be carried forward into 2018-19.

### WMP2020 Project Costs

As expected with a programme of this size, a number of projects have experienced underspends in the current year due to minor delays. These underspends will be carried forward to fund the agreed project expenditure, including, Duty Management System, Emergency Services Mobile Communication Programme Airwave replacement, Leadership Development, Body Worn Video, Data Driven Insight and Redesigning of Response.

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

<i>Actual 2016-17 Restated £m</i>	<i>Revenue Expenditure</i>	<i>Budget 2017-18 £m</i>	<i>Actual 2017-18 £m</i>	<i>Variation + (-) £m</i>
470.5	Employee costs	469.7	480.9	11.2
16.5	Premises costs	17.2	16.8	(0.4)
6.5	Transport costs	8.0	6.8	(1.2)
38.3	Supplies and Services	39.3	41.0	1.7
11.7	Agency costs	14.7	14.7	0.0
3.5	Capital Financing	3.7	4.1	0.4
(36.0)	Income	(33.9)	(43.9)	(10.0)
<b>511.0</b>	<b>Police Force (Excl. WMP2020 project costs)</b>	<b>518.7</b>	<b>520.4</b>	<b>1.7</b>
15.8	WMP2020 project costs	23.2	13.1	(10.1)
<b>526.8</b>	<b>Police Force (Incl. WMP2020 project costs)</b>	<b>541.9</b>	<b>533.5</b>	<b>(8.4)</b>
	<b>Police and Crime Commissioner</b>			
1.8	Office for Police and Crime Commissioner	2.1	2.1	0.0
5.2	Commissioned Services	9.3	6.2	(3.1)
<b>7.0</b>	<b>Police and Crime Commissioner</b>	<b>11.4</b>	<b>8.3</b>	<b>(3.1)</b>
<b>533.8</b>	<b>Net Cost Police Services</b>	<b>553.3</b>	<b>541.8</b>	<b>(11.5)</b>
5.1	Carry Forward Contribution to Projects	(9.2)	1.2	10.4
1.4	Carry Forward Contribution to PCC	0	3.1	3.1
0.7	Contribution to Uniform & Equipment Reserve	0	(0.5)	(0.5)
0.6	Contribution to ROCU Reserve	0	1.5	1.5
0.0	Other Reserve Contributions	0	(1.2)	(1.2)
<b>541.6</b>	<b>Police Services after Carry Forward</b>	<b>544.1</b>	<b>545.9</b>	<b>1.8</b>
(14.3)	Net Contribution to (from) Reserves	(18.2)	(20.0)	(1.8)
<b>527.2</b>	<b>Net Budget Requirement</b>	<b>525.9</b>	<b>525.9</b>	<b>0.0</b>
	Statutory Accounting Adjustments:			
188.0	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance		221.8	

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

	2017-18 Original Budget £m	2017-18 Outturn £m	Difference £m
Net Cost of Services	553.3	541.8	(11.5)
Contribution from Budget Reserves	(18.2)	(20.0)	(1.8)
Earmarked carry forwards	(9.2)	4.1	13.3
<b>Net Budget Requirement</b>	<b>525.9</b>	<b>525.9</b>	<b>0</b>

The table below shows how the Net Budget Requirement of £525.9m is funded from Government Grants and Council Tax.

	2017-18 Outturn £m
Council Tax Payer	81.8
Police Revenue Grant	247.3
Council Tax Support Funding	19.0
DCLG Grant	177.8
<b>Net Budget Requirement</b>	<b>525.9</b>

### How we have performed in 2017-18

The table below shows some key crime statistics for West Midlands Police for the year ended 31 March 2018 compared to the same time in the previous year.

	2016-17	2017-18	% change
Total recorded Crime	206,211	233,345	13
Business Crime	42,833	48,442	13
Burglary	24,767	28,061	13
Robbery	5,887	7,457	27

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 crimes such as burglary and in some higher-harm violent offences, including homicide, gun crime and knife crime.

Whilst total recorded crime is higher in 2017/18 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 Fire and Rescue Services (HMICFRS) into police forces in England and Wales examining their efficiency, effectiveness and legitimacy.

HMICFRS tested how efficient the force was at keeping people safe and reducing crime and have deemed the force to be good in this area. They found that the force continues to have a good understanding of prioritisation and costs, taking into account the public's changing expectations and national trends such as the increased threat of firearms. They also commented on the strong record the force has of reducing costs while improving the quality of its services.

There was recognition of the system used to determine where best to invest and to ensure that benefits are realised along with the strong commitment the Force has made to joint working with a range of public and private sector agencies to provide better services to the public.

In respect of how effective the force is at keeping people safe and reducing crime, HMICFRS found that many of the services provided by the force to vulnerable people are good including the force's ability to identify vulnerable people at the first point of contact. There was some concern however that the numbers of open logs and numbers of officers available to respond to incidents caused some delays resulting in the force being given an overall grading of requires improvement. Following the inspection the force took immediate steps to ensure that learning was implemented including a review of ways of working, the development of new doctrine, the reintroduction of scheduled appointments and the introduction of a resolution team on a pilot basis to help manage and prioritise all areas of demand including vulnerability. This has resulted in a reduced number of open logs and more effective prioritisation of vulnerability.

HMICFRS tested the legitimacy of the force at keeping people safe and reducing crime. It recognised the force as good at treating those it serves with fairness and respect and commented on the Fairness in Policing project as being both forward-thinking and innovative. It found, however, that improvement was required in the scrutiny applied to some areas—ensuring that the workforce behaves both ethically and lawfully, and the extent to which the force treats its workforce with fairness and respect—which led to an overall grading of requires improvement. Therefore, following the inspection the Force implemented a number of new initiatives such as a new process for recording use of force and scrutiny aligned to existing scrutiny panels, an increased diversity & inclusion team, and the development of new policies and revision of existing policy to ensure that learning highlighted in the inspection has been implemented.

### **EARMARKED AND GENERAL RESERVES**

Earmarked Reserves amount to £73m, and the General Reserve has been maintained at £12m to adequately cover the risk of major incidents.

The revised budget planned for the use of £18.2m from the Budget Reserve. Ongoing projects used carried forward monies to continue work in year, however additional projects were slipped to allow for further decision making and utilisation of internal resources.

The self-funded insurance reserve has a balance of £9.4m. This reserve is used to fund liabilities relating to staff, the public, the PCC's buildings and the PCC's vehicles and equipment over and above the excess amounts on the PCC's insurance policies.

Reserves analysed in greater detail:

	General Fund Balance £m	Earmarked Reserves £m
Opening Balance 1 April 2017	12.0	94.0
Movement in year	0	(20.7)
Closing Balance 31 March 2018	12.0	73.3

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

Overall capital expenditure for the year was planned to total £34.7m in the capital programme.

The PCC/Group has £15.7m of Capital Reserves in Unapplied Capital Grants, Unapplied Capital Receipts and Earmarked Capital Reserves to meet future capital expenditure plans and other financial commitments.

The PCC/Group has taken ownership of £5.5m of new vehicles per a vehicle replacement programme where new vehicles have been specified to reduce on-going maintenance costs and improve fuel efficiency.

Capital expenditure on IT, Equipment and Software was budgeted as £29.6m of which £23.1m was budgeted for transformation projects. Actual expenditure was £12.8m as some of the projects have not reached full implementation phase in 2017-18.

The capital programme for 2017-18 is summarised in the table below

2016-17 Outturn £'000		2017-18 Programme £'000	2017-18 Outturn £'000
	Property Plant and Equipment comprising:		
152	New Police Buildings	0	0
6,097	Improvements and Adaptations	0	0
3,812	Vehicles	5,128	5,459
10,833	IT and Equipment	7,003	2,714
1,911	Intangibles	22,547	10,082
<b>22,805</b>	<b>TOTAL</b>	<b>34,678</b>	<b>18,255</b>
	<b>FINANCING OF EXPENDITURE</b>		
6,281	Capital Grants	3,627	4,928
2,083	Capital Receipts	19,169	7,474
14,250	Capital Reserves	6,725	5,550
191	Direct Revenue Financing	5,157	303

22,805	TOTAL	34,678	18,255
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## PROVISIONS AND CONTINGENT LIABILITIES

A new provision was recognised in 2015-16 for a portion of the costs of the core team provided by the Force's innovation partner – Accenture. The value of this provision will be £0.14m in 2017-18. (£0.14m in 2016-17). This is part of the contractual arrangement between the PCC and Accenture in relation to the provision of services to the PCC. This is recognised in the Group Balance Sheet.

A provision has been made at the end of 2017-18 for the pay award for Police Staff dating from 1 September 2017. At the Balance sheet date this award was still being balloted by employment unions. It was decided to make a provision for the back dated payment due at the level being offered at the Balance sheet date of 1% across all pay scales with a non-consolidated 1% lump sum also paid for the year.

The Chief Constable of West Midlands Police, along with other Chief Constables and the Home Office, currently has 737 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 and in 2016-17 these claims were heard in the Employment Tribunal. In 2017-18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

The Chief Constable of West Midlands Police along with other Chief Constables had claims lodged against them in the Courts predominately in the Mayor's and City of London County Court. The number of claims against the Chief Constable of West Midlands Police is 35 and are in respect of breaches of the Police Regulations 2003 in particular, failure to pay overtime, compensatory leave and other on call allowances to CHIS (Covert Human Intelligence Source) handlers. The cases against all Forces have been stayed pending agreement on lead cases, which are due to be determined at a further hearing in August 2018. These claims are expected to have a financial impact on West Midlands Police, but the level of such impact is unclear at this stage, as the investigation into the likely value of compensation to the Claimants is still ongoing.

The Hillsborough inquiry is ongoing and is one of a number of historical inquiries that are at various stages which potentially could have a financial impact on West Midlands Police.

## PENSIONS

The requirement to recognise the net pensions liability in the Balance Sheet has reduced the reported net worth of the Group, converting net assets of £225m into net liabilities of £7,419m.

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

	2016-17 £'000	2017-18 £'000
Police Officers	7,105,820	7,300,100
Police Staff	331,058	340,452
PCC staff	2,057	2,136
<b>Total</b>	<b>7,438,935</b>	<b>7,642,688</b>

The actuarial gain on pension funds in 2017-18 totalled £8.1m and compared to actuarial losses in 2016-17 of £1,407.4m. As a result the increase in the liability of £204m is due principally to current service and interest costs in the year being greater than benefits paid in the year. The comparatively minor actuarial movements were due to a reduction in the discount rates by 0.1% which increases the liability for active members of the scheme being offset by reductions in the rate of increase of salaries and the rate of CPI inflation by 0.05%. It should be noted that actuarial gains and losses do change each year as can be seen from the defined benefit pension scheme notes starting on page 66 of the Statement of Accounts.

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

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- The Police Officer pension scheme is a statutory scheme as specified by police regulations, whereby the Group pays an employer's contribution of 24.2% of pensionable pay for all serving police officers into the Police Pension Fund Account. In practice, the PCC receives back contributions at a rate of 21.3% from the Government and the PCC is required to fund the remaining 2.9% difference. If there are insufficient funds in the Pension Fund Account to meet expenditure commitments in any particular year, the Home Office will fund the deficit. In practice, therefore the significant liability of £7.643bn will be covered by future employer contributions and the receipt of Home Office grant monies. Ultimately, finance is only required to be raised to cover police pensions when the pensions are actually paid.

## CHANGES TO ACCOUNTING POLICIES

Accounting policies have been updated where the implementation of the new Oracle Fusion Finance system has slightly altered the treatment of some assets, but these adjustments will not have a material effect on the carrying values of any assets.

## BORROWING

The PCCWM's borrowing totals £55.3m (£55.8m in 2016-17). There has been no new borrowing during the financial year and all short term borrowing has been repaid. Details of borrowing are shown in Note 34.

## CASH FLOWS

The group's cash flows in 2017-18 showed that cash from operating activities produced a net deficit of £2.9m and a deficit in investing and financing activities of £27.7m resulting in a net decrease in cash and cash equivalents of £30.6m. (£2.3m decrease in cash and cash equivalents in 2016-17). This is shown in the Cash Flow statement on page 36. Cash flows have been forecast for 2018-19 supported by information from a variety of sources and the cash position for the Group remains strong.

## FUTURE OUTLOOK

Since 2010 the West Midlands faced a challenge of managing one of the largest reductions in Government funding for any Police area in the country and maintaining and improving the services needed by local people and businesses. The PCC and the Chief Constable are continuing on an ambitious and leading edge Transformation programme, in partnership with Accenture, which is planned to improve services within much reduced resource levels. The Police Funding Settlement for 2018-19 has allowed PCCs to increase Council Tax by £12 for a Band D property. 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 that aim to engage more with the public and want to revolutionise online channels to help the public are the active citizens project and the 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 include the latest assumptions around resource levels and include the financial commitments resulting from the Commissioner's Police and Crime Plan that was 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**

There have been no events between the Balance Sheet date and the signing of the accounts which require a Post Balance sheet disclosure.



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

Position as at 31<sup>st</sup> March 2018 including plans for the financial year 2018/19.

## **1. Scope of Responsibilities**

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

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

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

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

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

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

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

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

### 3. The Governance Framework

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

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

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

- The West Midlands Police and Crime Plan 2016 – 2020 sets out the Commissioner's objectives for policing and community safety, the policing to be provided, the financial and other resources that will be available, how performance will be measured, what grants will be made and how the Chief Constable will be held to account.
- Translating the Commissioner's objectives into delivery plans.
- The operation of the Strategic Policing and Crime Board that provides effective engagement, strategic direction and assists the Commissioner in holding to account West Midlands Police.
- The Commissioner works with the Chief Constable to ensure there are processes and systems in place to deliver the Police and Crime Plan. This allows the Commissioner to be satisfied the Chief Constable has regard to the Police and Crime Plan through the operational plans of the Force, including the Force's Ambition Plan.
- Measuring the quality of services, to ensure they are delivered in accordance with the Commissioner's objectives and represent the best use of resources and value for money.
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication, in respect of the Commissioner and partnership arrangements.
- Ensuring effective arrangements are in place for the discharge of the head of paid service and monitoring officer functions.
- Ensuring the Commissioner's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2014).
- Ensuring compliance with the Commissioner statutory responsibilities, including:-
  - Setting the budget and precept
  - Issuing a Police and Crime Plan
  - Publication of an Annual Report
  - Publication of specified information
  - Duties to consult with victims of crime, the population as a whole and ratepayers
  - Safeguarding of children and promotion of child welfare
  - Having regard to the Strategic Policing Requirement
  - Duties relating to equality and diversity

- Procedure rules, policies and internal management processes are established for Financial Management, Procurement, Health and Safety, [Confidential Reporting](#) (“Whistleblowing”), [Complaints Handling](#), [Anti-Fraud, Bribery and Corruption](#) and [Records Management](#), including security of information and information sharing.
- Codes of conduct, defining the standards of behaviour for the Commissioner, Assistant Police and Crime Commissioners, Members of the Strategic Policing and Crime Board, Statutory Officers and Staff.
- The Joint Scheme of Corporate Governance sets out in detail the respective roles and functions of the Commissioner and Chief Constable, outlining all significant decisions which are consented or delegated and which are of a statutory, financial or management nature.
- A [Decision Making Policy](#) is in place which establishes the approach and principles of decision-making. All decisions made by the Commissioner are recorded and published on line for transparency.
- A [Joint Audit Committee](#) (with the Chief Constable) is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment, the independent scrutiny of the Chief Constable’s and 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 has also been appointed to the Joint Audit Committee.
- The PCC has a Corporate Risk Strategy and Register, prepared and reviewed by senior management. The Joint Audit Committee is responsible for independent assurance on the adequacy of the risk management framework.
- Procedural rules, policies and internal management procedures are established for financial management.
- Oversight of the management of change and transformation within the Force.
- Ensuring the Commissioner’s assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why they deliver the same impact.
- An External Audit function reports to “those charged with governance” in respect of the Annual Accounts.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Developing good governance arrangements in respect of partnership and other joint working arrangements.
- The Commissioner provides information to External Audit to enable them to provide assurance.
- The Commissioner also ensures External Audits recommendations are implemented.

#### 4. Review of Effectiveness

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

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

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

- **The Commissioner**

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

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

- **The Joint Audit Committee**

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

- Advise the Commissioner and the Chief Constable according to good governance principles.
- Provide independent assurance on the adequacy and effectiveness of the Commissioner's and Chief Constable's internal control environment and risk management framework.
- Oversee the effectiveness of the framework in place for ensuring compliance with statutory requirements.
- Independently scrutinise financial and non-financial performance to the extent that it affects the Commissioner's and Chief Constable's exposure to risks and weakens the internal control environment.
- Oversee the financial reporting process.
- Ensure the Force is implementing agreed actions resulting from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspections.

The [Terms of Reference](#) of the Committee, encompasses and reflects these duties by defining that they:

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

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

- **Internal and Audit**

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

The standards of Internal Audit are assessed against the Public Sector Internal Audit Standards (PSIAS) and an external assessment of Internal Audit against the PSIAS standards was undertaken in 2017/18. The results of the assessment were positive and service is currently implementing the recommendations from the review.

During 2017/18 Internal Audit has continued the approach of concentrating on the major risks faced by the PCC and the Force. This revised approach has allowed the Commissioner to have increased confidence in the governance, risk management and control processes.

- **Police and Crime Panel**

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

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

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

The Commissioner is compliant with all requests from the Panel including information and attendance at meetings. The Panel has also supported the Commissioner's precept proposals and the appointment of the Chief Constable and statutory officers in the Commissioner's office.

## **5. Collaborative Working**

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

- A collaboration agreement in place for the counter-terrorism policing network.
- The Commissioner is the chair of the National Counter Terrorism Strategic Board, which supports the governance of counter-terrorism policing nationally.
- The National Ballistics Intelligence Service (NABIS) where the West Midlands Police is the co-host force. The arrangement also being subject to a collaboration agreement and the Commissioner is represented on the NABIS governing board.
- The West Midlands Regional Organised Crime Unit is the subject of a four-force collaboration agreement (Staffordshire, Warwickshire, West Mercia and West Midlands).

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

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

The Commissioner is also a signatory to the National Police Air Service collaboration agreement and is working with regional PCCs to develop appropriate and proportionate oversight.

There are further collaborative arrangements that may come into effect through national programmes. This includes the specialist capabilities programme.

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

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

## **6. 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. A Scheme of Governance setting out the respective responsibilities and working arrangements between the Commissioner and Chief Constable is in operation. Work will continue during 2018/19 to ensure the governance arrangements are fit for purpose and meet the nature of the organisation.

The Strategic Policing and Crime Board, Community Safety Partnerships (CSPs) and the Police and Crime Panel have supported the Commissioner in discharging his governance responsibilities. In addition, to the local CSPs, the Commissioner has put in place a West Midlands wide Community Safety Partnership from April 2018. This will allow crime reduction activities to be commissioned more effectively and efficiently.

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

Internal Audit have completed a number of pieces of assurance work in relation to operation of the new financial systems that were implemented in July 2017. The Force have developed a series of action plans to improve the operation of the systems. This includes ensuring the benefits of the systems are maximised and the control framework is improved. Further assurance work is planned to be completed in this area in 2018/19 by Internal Audit and the project board will continue to monitor and scrutinise financial systems.

The Commissioner continues to ensure his office provides governance arrangements fit for purpose. Where new priorities are identified to deliver the Police and Crime Plan by the Commissioner resources are aligned to meet the priority.

The Innovation and Improvement Partner (IIP) that was appointed in 2014 works with the Chief Constable and the Commissioner to design and deliver a change programme, known as WMP2020, to address the service delivery and financial challenges over the medium term to long term. A Target Operating Model (TOM) has been developed and is amended when required to ensure it reflects how the police force will operate. This will inevitably result in changes to some existing governance arrangements, and pose new challenges for the Commissioner in holding the Chief Constable to account. To manage the WMP2020 programme governance arrangements have been put in place to make sure the Commissioner has effective oversight of the project. These arrangements include:-

- Members of the Commissioner's office and the Strategic Policing and Crime Board participating in the following boards:-
  - Organisational Change Board
  - Design Authority
  - Performance Operation and Review Forum

This ensures the Commissioner is well sighted on the delivery of WMP2020 and ensures the programme is in line the priorities of the Police and Crime Plan.

- Members of the Commissioner's office and the Strategic Policing and Crime Board are embedded in schemes at programme and project levels.

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

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

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

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

The Commissioner's office and the Force have put in place project plans and implemented actions to ensure there is compliance with the General Data Protection Regulations introduced in May 2018.

## 7. Delivering the Police and Crime Plan 2016-2020 – Action Plan

During 2018/19 work will continue to deliver the Police and Crime Plan 2016-2020. The detailed delivery plan to support the Police and Crime Plan is monitored by senior managers within the Commissioner's office on a regular basis. The delivery of the Police and Crime Plan assists the Commissioner to secure and maintain efficient and effective policing services across the West Midlands. The Commissioner will continue to work with West Midlands Police in the delivery of the Force's ambition plan.

The Commissioner's delivery plan is aligned to the risk register and acts as an action plan for the achievement of the Commissioner's priorities. The latest version of the Commissioner's risk register was included on the agenda at the Joint Audit Committee in March 2018 and is available from:

<http://www.westmidlands-pcc.gov.uk/media/479948/07B-March-18-PCC-Risk-Register.pdf>

Drawing on the Commissioner's risk register and the delivery plan referred to above the table overleaf details a summary of the key actions with target dates of delivery. Given the role of the Commissioner in holding the Chief Constable to account many of these actions are ongoing.

<b>Police and Crime Commissioner – Action Plan</b>		
<b>Police and Crime Plan 2016 – 2020, Key Theme</b>	<b>Activity</b>	<b>Target Date</b>
Protecting People from Harm	Reducing crime & harm – performance reports to Strategic Policing and Crime Board (SPCB)	Ongoing
	Reduce reoffending and supporting offenders away from criminality	Ongoing
	Production of a substance misuse plan & holding partners to account in the delivery of the plan	Report produced in September 2017 & ongoing
	Ensuring there is a safe and secure road network through holding to account	Ongoing
	Support the West Midlands Violence Prevention Alliance	Monitoring of project action plan throughout 2018/19
	Operation of Gangs and Violence Commission and implementation of report recommendations	Ongoing
Supporting Victims of Crime	Operation of the Victims Commission and updating the Victims Strategy	Strategy updated November 2017 and ongoing
Building Trust and Confidence in Policing	Confidence in policing increases – performance reports to board	Ongoing
	Oversight of the use of force & body worn video – report to SPCB	April 2018 on ongoing
	Ensure the Force continues to operate high standards of recording crimes accurately – Reports to Board	Ongoing
	Ensure the Force deals with complaints within the specified time period – Reports to board and holding to account	Ongoing
	Public satisfaction with services increases – reports to board on Force contact performance, new website etc.	Ongoing
	Operating effective accountability through the operation of the SPCB, HMICFRS recommendation tracker, Joint Audit Committee's work plan and the governance of WMP2020	Ongoing
Strengthening Communities and Growing the Economy	Ensure there is reduction in the fear of crime – performance reports	Ongoing
	Working with partners to prevent people with mental health illnesses being drawn into crime	Ongoing
	Develop and delivery of an economic strategy	Ongoing
	Develop collaboration across the criminal justice system to improve performance	Sept 2017 and ongoing
	Working with the elected mayor and the combined authority to reduce crime	Ongoing
Building a Modern Police Service	Recruitment of additional police officers & staff. Work with force to ensure recruits are representative of the West Midlands	Ongoing

Standing up for Young People	Support youth employment initiatives including apprenticeship programmes	Ongoing
	Support the introduction of a cadet scheme	Sept 2017 and ongoing
	Develop a young people's strategy and engage with young people across the region	Ongoing
Playing our Part in National Threats	Work with the Force to ensure the strategic policing requirement is comprehensive to threats	Ongoing
	Production and delivery of a cybercrime and digital strategy	April 2018 and ongoing

## 8. Issues Raised in Previous Year's Annual Governance Statements

The Commissioner's Annual Governance Statement of the 31<sup>st</sup> March 2017 included the continued implementation of the WMP2020 programme to ensure the Force operates efficiently and effectively within limited resources. The implementation of Force systems as part of the change programme has continued during 2017/18. Work will continue to ensure the benefits of these systems are maximized which includes cashable and non cashable benefits. An external review was completed of the achievement of WMP2020 project benefits during 2017/18. The outcomes of this review have been factored into the Force's benefits processes. The achievement of WMP2020 benefits will be monitored and reported to the Commissioner through the OCB and Quarterly Relationship Management Forum.

During 2017/18 the Commissioner's board and Joint Audit Committee received reports on the security of systems and the improvements that have been made. Both the board and JAC felt assured by the updates provided. Further improvements will be made through the continued investment in the change programme during 2018/19. In addition, further assurance work will be completed in 2018/19 by Internal Audit the outcomes of this work will be reported to JAC.

## 9. Future Developments

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

- Changes to the Commissioner's oversight role of police complaints including the option for PCCs to take on the responsibility for the front end of the complaints systems.
- The introduction of an independent Ethics Committee that will advise the Commissioner and the Chief Constable on whether proposed data analysis projects meet high ethical standards.
- Further collaborative working with police forces in areas such as serious and organised crime, counter terrorism, roads policing and uniformed operations, with a concurrent requirement to develop effective collaborative governance arrangements based on formal collaboration agreements.
- The implementation of a revised funding formula for policing will have implications on the level of resources available for policing services across the West Midlands.
- Impacts on policing from the United Kingdom's exit from the European Union.
- The implementation of an Estates strategy that was approved in March 2018. This includes the investment in new facilities and Force releasing vacant properties.
- The introduction of Force Management Statements that may impact on how the Force operates.
- The work of the elected Metro Mayor and West Midlands Combined Authority. This includes any future governance model for policing from 2020 onwards.
- The duty to cooperate across police, fire and ambulance services.
- Consider the future delivery of the WMP2020 programme when the existing IIP contract ends in July 2019.

## 10. Monitoring the Implementation of Actions

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



**Signed**

David Jamieson  
Police and Crime Commissioner West Midlands

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

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

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

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

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

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

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

The Chief Finance Officer to the PCC has also:

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

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

In accordance with regulation 9 of the Account and Audit Regulations 2015, I certify that the Statement of Accounts presents a true and fair view of the consolidated financial position of the Police and Crime Commissioner of the West Midlands as at 31 March 2018 and its income and expenditure for the year then ended.

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

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

The PCCWM is required:

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

## **POLICE AND CRIME COMMISSIONER'S CERTIFICATE**

I certify that the Statement of Accounts have been certified by the responsible financial officer and approved by the Police and Crime Commissioner for the West Midlands on                    2018, in accordance with regulation 9 of the Accounts and Audit Regulations 2015.

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

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





## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2017-18 - GROUP

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

2016-17 gross expenditure £'000 restated	2016-17 gross income £'000 restated	2016-17 net expenditure £'000 restated	GROUP	Note	2017-18 gross expenditure £'000	2017-18 gross income £'000	2017-18 net expenditure £'000
646,785	(78,400)	568,385	<b>Chief Constable</b>				
			Policing Services		708,253	(87,358)	620,188
17,894	(2,135)	15,759	<b>WMP 2020 Projects</b>		13,298	(221)	13,077
			<b>Police and Crime Commissioner</b>				
1,952	(47)	1,905	Office of the PCC		2,412	(42)	2,370
8,582	(3,319)	5,263	Commissioned Services		9,465	(3,322)	6,143
<b>675,213</b>	<b>(83,901)</b>	<b>591,312</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>732,720</b>	<b>(90,942)</b>	<b>641,778</b>
0	(271)	(271)	Net (gain)/loss on disposal		0	(3,041)	(3,041)
2,714	0	2,714	Interest Payable and Similar Charges		2,653	0	2,653
0	(1,089)	(1,089)	Interest and Investment Income		0	(789)	(789)
211,460	0	211,460	Pension Net Interest Cost	19	197,313	0	197,313
0	(88,949)	(88,949)	Pensions Top Up Grant Receivable		0	(90,191)	(90,191)
<b>889,387</b>	<b>(174,210)</b>	<b>715,177</b>	<b>NET OPERATING EXPENDITURE</b>		<b>932,687</b>	<b>(184,963)</b>	<b>747,724</b>
0	(95,903)	(95,903)	Council Tax Payer		0	(100,443)	(100,443)
0	(250,824)	(250,824)	Police Grant	14	0	(247,320)	(247,320)
0	(180,276)	(180,276)	DCLG Grant	14	0	(177,751)	(177,751)
0	(6,338)	(6,338)	Non-Specific Government Grants		0	(5,641)	(5,641)
<b>889,387</b>	<b>(707,551)</b>	<b>181,836</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>932,687</b>	<b>(716,117)</b>	<b>216,570</b>
		<b>(4,637)</b>	(Surplus)/Deficit on the revaluation of fixed assets				<b>(160)</b>
		<b>1,308,658</b>	Re-measurement of the net defined benefit liability	19			<b>8,678</b>
		<b>1,304,021</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>8,518</b>
		<b>1,485,857</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>225,088</b>

The actuarial movements are due to a significant decrease in the discount rate at which pensions are paid and an increase in short term salary rises which increases the liability for active members of the scheme.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2017-18 – PCC (SINGLE ENTITY)

2016-17 gross expenditure £'000 restated	2016-17 gross income £'000 restated	2016-17 net expenditure £'000 restated	PCC	Notes	2017-18 gross expenditure £'000	2017-18 gross income £'000	2017-18 net expenditure £'000
1,952	(47)	1,905	Office of the PCC		2,412	(42)	2,370
8,582	(3,319)	5,263	Commissioned Services		9,465	(3,322)	6,143
<b>10,534</b>	<b>(3,366)</b>	<b>7,168</b>	<b>Total Cost of Services</b>		<b>11,877</b>	<b>(3,364)</b>	<b>8,513</b>
<b>626,154</b>	<b>(80,535)</b>	<b>545,619</b>	<b>PCC funding to the CC for financial resources consumed</b>		<b>633,714</b>	<b>(87,578)</b>	<b>546,136</b>
<b>636,688</b>	<b>(83,901)</b>	<b>552,787</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>645,591</b>	<b>(90,942)</b>	<b>554,649</b>
0	(271)	(271)	Net (gain)/loss on disposal		0	(3,041)	(3,041)
2,714	0	2,714	Interest Payable and Similar Charges		2,653	0	2,653
0	(1,089)	(1,089)	Interest and Investment Income		0	(789)	(789)
79	0	79	Pension Interest Cost and expected return on assets	19	56	0	56
88,949	(88,949)	0	Pensions Top Up Grant Receivable (paid to CC)		90,191	(90,191)	0
<b>728,430</b>	<b>(174,210)</b>	<b>554,220</b>	<b>NET OPERATING EXPENDITURE</b>		<b>738,491</b>	<b>(184,963)</b>	<b>553,528</b>
0	(95,903)	(95,903)	Council Tax Payer		0	(100,443)	(100,443)
0	(250,824)	(250,824)	Police Grant	14	0	(247,320)	(247,320)
0	(180,276)	(180,276)	DCLG Grant	14	0	(177,751)	(177,751)
0	(6,338)	(6,338)	Non-Specific Government Grants		0	(5,641)	(5,641)
<b>728,430</b>	<b>(707,551)</b>	<b>20,879</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>738,491</b>	<b>(716,118)</b>	<b>22,374</b>
		<b>(4,637)</b>	(Surplus)/Deficit on the revaluation of fixed assets				<b>(160)</b>
		<b>(294)</b>	Re-measurement of the net defined benefit liability	19			<b>(209)</b>
		<b>(4,931)</b>	<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(369)</b>
		<b>15,948</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>22,005</b>

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



## GROUP MOVEMENT IN RESERVES STATEMENT 2017-18

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

	Revenue			Capital		Total Reserves		
	General Fund	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2016</b>	<b>(12,042)</b>	<b>(115,953)</b>	<b>(127,995)</b>	<b>(13,875)</b>	<b>(715)</b>	<b>(142,584)</b>	<b>5,851,736</b>	<b>5,709,151</b>
<b>Movements in Reserves during 2016/17</b>								
<b>Total Comprehensive Income and Expenditure (per the CIES)</b>	<b>181,836</b>	<b>0</b>	<b>181,836</b>	<b>0</b>	<b>0</b>	<b>181,836</b>	<b>1,304,021</b>	<b>1,485,857</b>
Adjustments between accounting and funding basis under regulations	(174,137)	0	(174,137)	(475)	(56)	(174,668)	174,668	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>7,699</b>	<b>0</b>	<b>7,699</b>	<b>(475)</b>	<b>(56)</b>	<b>7,168</b>	<b>1,478,689</b>	<b>1,485,857</b>
Transfer to/from Earmarked Reserves	(7,699)	21,950	14,250	0	0	14,250	(14,250)	0
Increase/Decrease during the year	0	21,950	21,950	(475)	(56)	21,418	1,464,439	1,485,857
<b>Balance as at 31 March 2017 carried forward</b>	<b>(12,042)</b>	<b>(94,003)</b>	<b>(106,045)</b>	<b>(14,350)</b>	<b>(771)</b>	<b>(121,166)</b>	<b>7,316,175</b>	<b>7,195,008</b>
<b>Movements in Reserves during 2017/18</b>								
<b>Total Comprehensive Income and Expenditure</b>	<b>216,570</b>	<b>0</b>	<b>216,570</b>	<b>0</b>	<b>0</b>	<b>216,570</b>	<b>8,518</b>	<b>225,088</b>
Adjustments between accounting and funding basis under regulations	(201,414)	0	(201,414)	1,293	(713)	(200,834)	200,834	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>15,156</b>	<b>0</b>	<b>15,156</b>	<b>1,293</b>	<b>(713)</b>	<b>15,736</b>	<b>209,353</b>	<b>225,088</b>
Transfer to/from Earmarked Reserves	(15,156)	20,706	5,550	0	0	5,550	(5,550)	0
Increase/Decrease during the year	0	20,706	20,706	1,293	(713)	21,286	203,803	225,088
<b>Balance as at 31 March 2018 carried forward</b>	<b>(12,042)</b>	<b>(73,297)</b>	<b>(85,339)</b>	<b>(13,058)</b>	<b>(1,484)</b>	<b>(99,881)</b>	<b>7,519,977</b>	<b>7,420,096</b>

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

The balances carried forward for usable and unusable reserves are shown on the lower half of the Balance Sheet on page 35.

## PCC MOVEMENT IN RESERVES STATEMENT 2017-18

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

	Revenue			Capital		Total Reserves		
	General Fund	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total PCC Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2016</b>	<b>(6,486)</b>	<b>(115,953)</b>	<b>(122,439)</b>	<b>(13,875)</b>	<b>(715)</b>	<b>(137,028)</b>	<b>(125,159)</b>	<b>(262,189)</b>
<b>Movements in Reserves during 2016/17</b>								
<b>Total Comprehensive Income and Expenditure (per the CIES)</b>	<b>20,879</b>	<b>0</b>	<b>20,879</b>	<b>0</b>	<b>0</b>	<b>20,879</b>	<b>(4,931)</b>	<b>15,948</b>
Adjustments between accounting and funding basis under regulations	(18,736)	0	(18,736)	(475)	(56)	(19,267)	19,267	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>2,143</b>	<b>0</b>	<b>2,143</b>	<b>(475)</b>	<b>(56)</b>	<b>1,612</b>	<b>14,336</b>	<b>15,948</b>
Transfer to/from Earmarked Reserves	(7,699)	21,950	14,250	0	0	14,250	(14,250)	0
Increase/Decrease during the year	(5,556)	21,950	16,394	(475)	(56)	15,862	86	15,948
<b>Balance as at 31 March 2017 carried forward</b>	<b>(12,042)</b>	<b>(94,003)</b>	<b>(106,045)</b>	<b>(14,350)</b>	<b>(771)</b>	<b>(121,166)</b>	<b>(125,073)</b>	<b>(246,240)</b>
<b>Movements in Reserves during 2017/18</b>								
<b>Total Comprehensive Income and Expenditure</b>	<b>22,374</b>	<b>0</b>	<b>22,374</b>	<b>0</b>	<b>0</b>	<b>22,374</b>	<b>(369)</b>	<b>22,005</b>
Adjustments between accounting and funding basis under regulations	(1,263)	0	(1,263)	1,293	(713)	(683)	683	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>21,111</b>	<b>0</b>	<b>21,111</b>	<b>1,293</b>	<b>(713)</b>	<b>21,691</b>	<b>314</b>	<b>22,005</b>
Transfer to/from Earmarked Reserves	(15,156)	20,706	5,550	0	0	5,550	(5,550)	0
Increase/Decrease during the year	5,955	20,706	26,661	1,293	(713)	27,241	(5,236)	22,005
<b>Balance as at 31 March 2018 carried forward</b>	<b>(6,087)</b>	<b>(73,297)</b>	<b>(79,384)</b>	<b>(13,057)</b>	<b>(1,484)</b>	<b>(93,925)</b>	<b>(130,309)</b>	<b>(224,235)</b>

## GROUP AND PCC BALANCE SHEET 2017-18

	Notes	PCC as at 31 March 2017 £'000	Group as at 31 March 2017 £'000	PCC as at 31 March 2018 £'000	Group as at 31 March 2018 £'000
<b>Operational Assets:</b>					
Land and Buildings	28	141,097	141,097	135,249	135,249
Vehicles, Plant, Furniture and Equipment	28	17,665	17,665	18,654	18,654
<b>Non Operational Assets:</b>					
Assets Under Construction	28	4,555	4,555	3,474	3,474
<b>Heritage Assets</b>					
	29	186	186	186	186
<b>Intangible Assets:</b> (Software)	32	3,173	3,173	12,214	12,214
		<b>166,676</b>	<b>166,676</b>	<b>169,778</b>	<b>169,778</b>
Long-term Investments	35	30,594	30,594	29,171	29,171
Long-term Debtors	36	1,149	1,149	1,148	1,148
<b>Long-Term Assets</b>		<b>198,419</b>	<b>198,419</b>	<b>200,097</b>	<b>200,097</b>
Short term investments	35	29,052	29,052	46,581	46,581
Inventory	38	1,033	1,033	793	793
Short Term Debtors	39	73,664	73,664	73,698	73,698
Assets held for sale (< 1 year)	41	1,135	1,135	1,280	1,280
Cash and Cash equivalents	40	51,451	51,451	20,858	20,858
<b>Current Assets</b>		<b>156,335</b>	<b>156,335</b>	<b>143,210</b>	<b>143,210</b>
Short-term borrowing	34	(1,022)	(1,022)	(1,175)	(1,175)
Bank Overdraft	40	0	0	0	0
Short-term Creditors	42	(50,477)	(50,477)	(60,037)	(60,037)
Accumulated Absences	44	0	(3,573)	0	(3,779)
Provisions	21	(140)	(140)	(1,577)	(1,577)
<b>Current Liabilities</b>		<b>(51,639)</b>	<b>(55,212)</b>	<b>(62,789)</b>	<b>(66,567)</b>
Capital Long-Term Borrowing	34	(54,818)	(54,818)	(54,148)	(54,148)
Pensions Liability	19	(2,057)	(7,439,732)	(2,136)	(7,642,688)
Long-Term Liabilities		<b>(56,875)</b>	<b>(7,494,550)</b>	<b>(56,284)</b>	<b>(7,696,836)</b>
<b>Net Assets:</b>		<b>262,240</b>	<b>(7,195,008)</b>	<b>224,235</b>	<b>(7,420,096)</b>
<b>Usable Reserves:</b>					
Usable Capital Receipts Reserve	26	(14,350)	(14,350)	(13,058)	(13,058)
Other Earmarked Reserves	27	(72,302)	(72,302)	(54,196)	(54,196)
General Fund Reserves	27	(12,042)	(12,042)	(6,087)	(12,042)
Budget Reserve	27	(13,605)	(13,605)	(19,101)	(19,101)
Redundancy and Equal Pay Reserve	27	(8,097)	(8,097)	0	0
Capital Grants Unapplied	26	(771)	(771)	(1,484)	(1,484)
<b>Unusable Reserves:</b>					
Capital Adjustment Account	44	(103,400)	(103,400)	(110,511)	(110,511)
Revaluation Reserve	44	(20,773)	(20,773)	(19,404)	(19,404)
Pensions Reserve	19	2,057	7,439,732	2,136	7,648,643
Deferred Capital Receipts	36	(1,148)	(1,148)	(1,148)	(1,148)
Collection Fund Adjustment Account	44	(1,809)	(1,809)	(1,382)	(1,382)
Accumulated Compensated Absences Account	44		3,573	0	3,779
<b>Total Reserves:</b>		<b>(246,240)</b>	<b>7,195,008</b>	<b>(224,235)</b>	<b>7,420,096</b>

The Balance Sheet above shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCCWM. The net assets of the PCCWM (assets less liabilities) are matched by the reserves held by the PCCWM. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the PCCWM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations. There is a difference between the pensions liability and pensions reserve in the 2017-18 accounts of £5.955m. This is due to a payment made to the Local Government pension Scheme on 01 April 2017 for £8.98m. The payment was for the deficit in the pension scheme payable for 2017-18, 2018-19 and 2019-20. The Pension Accounts will remain out of balance until 2019-20.

## GROUP AND PCC CASH FLOW STATEMENT 2017-18

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

As at 31 March 2017		Note	As at 31 March 2018	
£'000	£'000		£'000	£'000
<u>Operating Activities</u>				
EXPENDITURE				
486,281			511,540	
112,868			116,353	
2,714			2,653	
<b>601,863</b>			<b>630,545</b>	
Cash outflows generated from operating activities				
INCOME				
(95,903)			(100,443)	
(180,276)			(177,751)	
(300,952)			(310,889)	
(326)			(30)	
(1,089)			(789)	
(11,466)			(37,712)	
<b>(590,011)</b>			<b>(627,615)</b>	
Cash inflows generated from operating activities				
<b>11,852</b>	<b>Net cash flows from operating activities</b>			<b>2,930</b>
<u>Investing activities</u>				
EXPENDITURE				
24,855			17,129	
13,525			(1,423)	
<b>38,380</b>			<b>15,706</b>	
Cash outflows generated from investing activities				
INCOME				
(2,398)			(6,182)	
(46,140)			17,530	
<b>(48,538)</b>			<b>11,348</b>	
Cash inflows generated from investing activities				
<b>(10,158)</b>	<b>Net cash flows from investing activities</b>			<b>27,054</b>
<u>Financing activities</u>				
609	Repayments of short and long term borrowing			608
2	Other Payments for Financing Activities			0
<b>611</b>	<b>Net cash flows from financing activities</b>			<b>608</b>
<b>2,305</b>	Net (increase)/decrease in cash and cash equivalents	45		<b>30,593</b>
<b>53,756</b>	Cash and cash equivalents at the beginning of the reporting period	46		<b>51,451</b>
<b>51,451</b>	Cash and cash equivalents at the end of the reporting period	46		<b>20,859</b>

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# NOTES TO THE ACCOUNTS

## 1. STATEMENT OF ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Group's transactions for the 2017-18 financial year and its position at the year end of 31 March 2018. The Commissioner is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and supported by International Financial reporting Standards. Guidance notes issued by CIPFA on the application of accounting standards to local authorities have in general been followed, and any exceptions to this are disclosed below. The policies below reflect the powers and responsibilities of the Police and Crime Commissioner as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012.

### a. Property, Plant and Equipment

#### Recognition

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

Assets made up of a number of components with significantly different economic lives have been reviewed to identify if these components should be treated as separate assets and depreciated over their own useful economic lives per the requirements of the CIPFA code of practice on Local Authority Accounting in the United Kingdom 2017-18. It has been determined that such treatment does not make a material difference to the values of the Group's assets and component accounting of these assets has not been applied in 2017-18. This approach will be reviewed each year but is not expected to apply to buildings as replacement items are generally purchased from revenue budgets.

Items of capital expenditure with values below £5,000 which do not form part of a combined asset for a single purpose will be considered de minimis and will not be recorded as a non-current asset.

#### Measurement

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

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

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

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

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

## **Impairment**

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

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

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

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

## **Valuation**

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

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



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

## **b.Intangible Assets**

### **Recognition**

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

#### *Internally generated intangible assets*

Internally generated goodwill, brands, publishing titles, mastheads and similar items are not capitalised as intangible assets.

Expenditure on development of an intangible asset will only be capitalised where all the following can be demonstrated:

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

#### *Software*

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

### **Measurement**

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

### **Amortisation**

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

### **3. Assets Held for Sale**

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

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

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

### **5. Redemption of Debt**

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

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

### **6. Leasing**

Rental payments on operating leases are charged to the revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable. For finance leases where the Group is a lessee the Group recognises finance leases as assets and liabilities at the present value of the minimum lease payments. The Group's incremental borrowing rate on PWLB loans is used to determine the interest rate implicit in the lease. Any initial indirect

costs of the lease are added to the value of the asset. In 2017-18 the PCC has not recognised any finance leases, however a review takes place each year to determine if any finance leases exist.

## **7. Debtors and Creditors**

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

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

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

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

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

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

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

## **9. Reserves**

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

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

## **10. Provisions**

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

Provisions are charged as an expense in the Comprehensive Income and Expenditure Statement in the year that the PCC/Group becomes aware of the obligation, and are measured at the best

estimate at the balance sheet date of expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

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

## **11. Contingent Liabilities and Contingent Assets**

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

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

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

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

## **12. Financial Liabilities**

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

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

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

### **13. Financial Assets**

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

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

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

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

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

### **14. Treatment of Grants**

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

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

Since the Group accounts have been completed on an IFRS basis, revenue and capital grants and contributions will be accounted for on an accruals basis and recognised immediately as income in the Comprehensive Income and Expenditure Statement, except to the extent that the grant or contribution has a condition attached which the Group has not yet satisfied. Such grants and contributions will be recognised initially in the relevant grants and contributions received in advance

account. Capital grants that do not have any conditions imposed upon them and which are not spent at the year-end will be transferred to the Capital Grants Unapplied Account.

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

## 15. Employee Benefits

### Benefits payable during employment

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

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

### Termination Benefits

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

### Post-employment benefits

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

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

- a. The rate of contribution in 2017-18 was 16.7% on average.

- b. The liabilities of the scheme attributable to the Group are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of future earnings for current employees.
- c. Liabilities are discounted to their value at current prices, using an appropriate discount rate set by the Actuary (usually based on the indicative rate of return on AA rated corporate bonds of appropriate duration).
- d. The assets of the fund attributable to the Group are included in the Balance Sheet at their fair value:
  - i. Quoted securities – current bid price
  - ii. Unquoted securities – professional estimate
  - iii. Unitised securities – current bid price
  - iv. Property – market value
- e. The change in the net pensions liability is analysed into the following components:
  - i. *Current service cost* –the increase in liabilities as a result of years of service earned this year
  - ii. *Past service cost* – the increase in liabilities as a result of a scheme curtailment or amendment whose effect relates to years of service earned in earlier years – this is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - iii. *Net interest on the net defined benefit liability (asset)* – net interest expenses for the Group – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
  - iv. *Gains or losses on settlements and curtailments* – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - v. *Re-measurements* – this comprises of (1) the return on plan assets excluding the amount included in net interest on the net defined pension liability (asset) charged to the Pension Reserve as Other Comprehensive Income and Expenditure and (2) actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - vi. *Contributions paid to the pension fund* - cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

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

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

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

## **16. Interest**

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

## **17. Council Tax Income**

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

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

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

## **18. Cash and Cash Equivalents**

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

## **19. Revenue Recognition**

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



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

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

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

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

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

## **21. Value Added Tax**

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

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

## **22. Events after the Balance Sheet date**

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

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

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

## 23. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group
- Revenue from the provision of services is recognised when the Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for retrospectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

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

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

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

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

## 25. Joint Operations

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

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

## **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 2017-18 (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. This is not expected to have a material impact upon the Financial Statements.

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

This Standard intends to recognise income 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. This standard will be applied from 1<sup>st</sup> April 2018 and is not expected to have a material impact upon the Financial Statements.

### **IFRS 16 Leases**

The IASB issued IFRS 16 Leases in January 2016. The standard has an effective date of 01 January 2019 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 the Statement of Accounts in 2017-18 the PCC has had to make certain judgements about complex transactions involving uncertainty about future events. The critical judgements made in the statement of accounts are presented in the following paragraph:

- 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 two corporation soles, the Chief Constable controls and directs police officers, PCSOs and the majority of police staff (excluding those staff directly employed by the PCC to manage his office), therefore all pay and pensions costs associated with these staff groups are presented in the Chief Constable's accounts. The CFOs for the PCC and Chief Constable have determined that the non-pay costs attributable to the assets and liabilities of the PCC will also form part of the cost of the Chief Constable since these are consumed under his direction and control.

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

The statement of Accounts contains estimated figures that are based on assumptions made by the Group about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the PCCWM and Group Balance Sheet as at 31 March 2018 for which there are significant risks of material adjustment in the next financial year are detailed in the table below:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The uncertainty surrounding the future funding settlement makes it uncertain that the PCCWM will be able to support sufficient expenditure on repairs and maintenance to maintain properties effectively – bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £105k for every year that useful lives have to be reduced. The Net Book Value of Property, Plant and Equipment as at 31 March 2018 is £156m (£163m in 2016-17)
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex actuarial judgements related to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected rate of return on the assets invested by the pension scheme. The PCC uses two firms of actuaries to provide the Group with expert advice about the assumptions to be applied to the Police Pension Schemes and the Local Government Pension Scheme.	The effects on the net pension liability of changes in individual assumptions can be measured but they interact in complex ways. The overall pension's liability as at 31 March 2018 is £7,642m (£7,439m in 2016-17). So, a very small percentage change in the overall liability can have a material impact on the accounts.

Collection Fund Bad Debt Provision	There is uncertainty around the amount of bad and doubtful debts that Billing Authorities declare on their collection fund balance sheets due to the ability of Local Authorities to recover all amounts owing to them. This is expected to become more significant following the introduction of localised council tax benefit.	Changes in the value of debts recovered will affect any surplus or deficit in the collection fund which results in a change to debtor and creditor balances within the PCCWM accounts. However, surpluses and deficits may be variable but they are unlikely to be material to the Group accounts overall. The combined bad debt provision for Billing Authorities applicable to the PCC at 31 March 2018 is £7.07m (£6.53m in 2016-17) The bad debt provision for all Local Authorities is £87.4m as at 31 March 2018 (£85.4m in 2016-17)
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## 5. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events between the Balance Sheet date and the signing of the accounts which require a Post Balance sheet disclosure.

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## 6. EXPENDITURE AND FUNDING ANALYSIS

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	GROUP	2017-18 Net Expenditure Chargeable to the General Fund Balance £'000	2017-18 Adjustments between Funding and Accounting Basis £'000	2017-18 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
			<b>Chief Constable</b>			
524,763	43,622	568,385	Policing Services	524,796	95,391	620,188
15,756	3	15,759	WMP 2020 Projects	11,705	1,372	13,077
			<b>Police and Crime Commissioner</b>			
1,782	123	1,905	Office of the PCC	2,138	232	2,370
5,252	11	5,263	Commissioned Services	6,143	0	6,143
<b>547,553</b>	<b>43,759</b>	<b>591,312</b>	<b>Net Cost of Services</b>	<b>544,782</b>	<b>96,996</b>	<b>641,778</b>
(525,603)	116,127	(409,476)	Other Income and Expenditure	(524,076)	98,868	(425,208)
<b>21,950</b>	<b>159,886</b>	<b>181,836</b>	<b>Surplus or Deficit</b>	<b>20,706</b>	<b>195,864</b>	<b>216,570</b>

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	PCC	2017-18 Net Expenditure Chargeable to the General Fund Balance £'000	2017-18 Adjustments between Funding and Accounting Basis £'000	2017-18 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
			<b>Police and Crime Commissioner</b>			
1,782	123	1,905	Office of the PCC	2,138	232	2,370
5,252	11	5,263	Commissioned Services	6,143	0	6,143
534,963	10,656	545,619	Funding to the CC	542,457	3,679	546,136
<b>541,997</b>	<b>10,790</b>	<b>552,787</b>	<b>Net Cost of Services</b>	<b>550,738</b>	<b>3,911</b>	<b>554,649</b>
(525,603)	(6,305)	(531,908)	Other Income and Expenditure	(524,077)	(8,198)	(532,275)
<b>16,394</b>	<b>4,485</b>	<b>20,879</b>	<b>Surplus or Deficit</b>	<b>26,661</b>	<b>(4,287)</b>	<b>22,374</b>

	Group		PCC	
	2016/17	2017/18	2016/17	2017/18
Opening General Fund Balance	(127,995)	(106,045)	(122,439)	(106,045)
Less Deficit on General Fund Balance in Year	21,950	20,706	16,394	26,661
Closing General Fund Balance at 31 March	(106,045)	(85,339)	(106,045)	(79,384)

## 7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2017/18 GROUP	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
<b>Chief Constable</b>				
Policing Services	2,307	92,880	205	95,392
WMP 2020 Projects	1,372			1,372
<b>Police and Crime Commissioner</b>				
Office of the PCC		232		232
Commissioned Services				0
<b>Net Cost of Services</b>	<b>3,679</b>	<b>93,112</b>	<b>205</b>	<b>96,996</b>
Other Income and Expenditure	(8,681)	107,122	427	98,868
<b>Surplus or Deficit</b>	<b>(5,002)</b>	<b>200,234</b>	<b>632</b>	<b>195,864</b>

2016/17 GROUP	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
<b>Chief Constable</b>				
Policing Services	10,656	32,647	319	43,622
WMP 2020 Projects		3		3
<b>Police and Crime Commissioner</b>				
Office of the PCC		123		123
Commissioned Services		11		11
<b>Net Cost of Services</b>	<b>10,656</b>	<b>32,784</b>	<b>319</b>	<b>43,759</b>
Other Income and Expenditure	(6,609)	122,511	225	116,127
<b>Surplus or Deficit</b>	<b>4048</b>	<b>155,295</b>	<b>544</b>	<b>159,886</b>

Note 1 – This column adds in depreciation, impairments and revaluation losses, it also adjusts for Capital disposals, Capital Grants and MRP

Note 2 – This shows which lines have been affected by the removal of pension contributions and replaced with IAS 19 transactions

Note 3 – This column includes adjustments for Collection Fund and Accumulated Absences adjustments

2017/18 PCC	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
<b>Police and Crime Commissioner</b>				
Office of the PCC		232		232
Commissioned Services				0
Funding to the CC	3,679			3,679
<b>Net Cost of Services</b>	<b>3,679</b>	<b>232</b>	<b>0</b>	<b>3,911</b>
Other Income and Expenditure	(8,681)	56	427	(8,198)
<b>Surplus or Deficit</b>	<b>(5,002)</b>	<b>288</b>	<b>427</b>	<b>(4,287)</b>



2016/17 PCC	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
<b>Police and Crime Commissioner</b>				
Office of the PCC		123		123
Commissioned Services		11		11
Funding to the CC	10,656			10,656
<b>Net Cost of Services</b>	<b>10,656</b>	<b>134</b>	<b>0</b>	<b>10,790</b>
Other Income and Expenditure	(6609)	79	225	(6,305)
<b>Surplus or Deficit</b>	<b>4047</b>	<b>213</b>	<b>225</b>	<b>4,485</b>

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

2016-17 PCC Outturn £'000 Restated	2016-17 Group Outturn £'000 Restated		2017-18 PCC Outturn £'000	2017-18 Group Outturn £'000
0	394,458	Police Pay and Allowances	0	433,865
1,546	129,141	Police Staff and PCSO Pay and Allowances	1,827	159,144
59	5,525	Other Employee Expenses	137	6,085
<b>1,605</b>	<b>529,124</b>	<b>Sub Total Employee Costs</b>	<b>1,964</b>	<b>599,094</b>
10	21,977	Premises Related Costs	0	19,044
18	8,709	Transport/Travel Costs	29	9,261
479	61,651	Supplies & Services	529	58,474
8,422	26,175	Agency Expenses	9,355	29,839
0	27,071	Capital Financing Costs	0	11,506
<b>10,534</b>	<b>674,707</b>	<b>TOTAL GROSS EXPENDITURE</b>	<b>11,877</b>	<b>727,219</b>
(3,366)	(85,455)	External Income	(3,364)	(90,942)
0	2,059	Non-Distributed Costs	0	5,501
<b>7,168</b>	<b>591,312</b>	<b>NET COST - GENERAL FUND SERVICES</b>	<b>8,513</b>	<b>641,778</b>

The 2016-17 figures have been restated following a rebuild of the Chart of Accounts used by the Group. To report more in line with CIPFA reporting categorisation, some items of subjective spend have moved categories, however the total outturn for the Net cost of General Fund Services remains the same.

Police Officer Pay and Allowances has increased mainly due to a large increase in Pension Current Service Costs as calculated by the Actuary, but also from the pay award in September 2017.

Police Staff and PCSO Pay and Allowances has moved by £30m, £20m of this is in relation to the Pension Service Cost and a £10m increase in police staff pay and allowances down to an increase in establishments through workforce mix, a re-investment in Force Contact and People and Organisational Development. This investment has also resulted in a decrease in the amount spent on external recruitment costs with Other Employee Expenses as more is done in-house, however the introduction of the Apprenticeship Levy has more than replaced these costs.

The reduction in premises costs is due to dilapidation cost being paid in 2016-17, to enable us to exit a number of rented premises, resulting in reduction in rents during 2017-18.

Transport and Travel costs have increased in 2017-18 following additional spend through the self-funded insurance reserve.

Spend within Supplies and Services has reduced over the year by £3.2m, this is due to a reduction in the IIP support from our partner Accenture, a large investment within ICT in 2016-17 for laptops offset by a change from an in-house to a managed services for Uniform and Equipment.

Agency expenses sees an increase in Collaboration Officer Salary Costs due to increasing the capability in the Regional Organised Crime Unit function across the Region. This is mainly offset by additional External income from Reimbursed Services from other Police forces within ROCU.

## 9. AGENCY EXPENDITURE

	PCC 31 March 2017 £'000 Restated	Group 31 March 2017 £'000 Restated	PCC 31 March 2018 £'000	Group 31 March 2018 £'000
Levies	0	4,743	0	4,557
Government Departments	25	415	0	144
NHS Bodies	0	85	20	70
Other Police Forces	1	8,541	0	12,414
Other Local Authorities	4,341	5,806	4,186	5,358
All other bodies	4,055	6,585	5,149	7,296
<b>Total agency expenditure</b>	<b>8,422</b>	<b>26,175</b>	<b>9,355</b>	<b>29,839</b>

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

The 2016-17 figures have been restated following a rebuild of the Chart of Accounts used by the Group. To report more in line with CIPFA reporting categorisation, some items of subjective spend have moved categories which has led to more items being classified as Agency Expenditure.

## 10. EMPLOYEE REMUNERATION

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

2016-17 Police officers	2016-17 Police staff	2016-17 Total	Earnings Band	2017-18 Police Officers	2017-18 Police Staff	2017-18 Total
6,077	3,668	9,745	Less than £49,999	5,877	4,016	9,893
349	20	369	£50,000-£54,999	420	34	454
176	10	186	£55,000 - £59,999	242	12	254
45	8	53	£60,000 - £64,999	52	15	67
15	7	22	£65,000 - £69,999	30	6	36
11	2	13	£70,000 - £74,999	19	6	25
18	1	19	£75,000 - £79,999	15	3	18
8	2	10	£80,000 - £84,999	10	1	11
12	4	16	£85,000 - £89,999	10	3	13
0	0	0	£90,000 - £94,999	3	1	4
1	1	2	£95,000 - £99,999	1	0	1
0	0	0	£100,000 - £104,999	1	2	3
0	0	0	£105,000 - £109,999	0	0	0
0	0	0	£110,000 - £114,999	0	0	0
2	0	2	£115,000 - £119,999	1	0	1
0	0	0	£120,000 - £124,999	0	1	1
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	1	0	1
0	0	0	£150,000 - £154,999	0	0	0
1	0	1	£155,000 - £159,999	0	0	0
0	0	0	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	0	0	0
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
0	0	0	£185,000 - £189,999	0	0	0
1	0	1	£190,000 - £194,999	1	0	1
0	0	0	£195,000 - £199,999	0	0	0
<b>6,716</b>	<b>3,723</b>	<b>10,439</b>	<b>Totals</b>	<b>6,683</b>	<b>4,100</b>	<b>10,783</b>

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

## 11. SENIOR OFFICERS REMUNERATION

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

### Senior Officers' remuneration in 2017-18

Post holder information	Notes	Salary (inc fees and allowances)	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000
<b>Chief Constable for West Midlands Police</b>						
Chief Constable D Thompson		193.0	5.9	198.9	40.5	239.4
Deputy Chief Constable		149.0	5.7	154.7	31.0	185.7
Assistant Chief Constable (1)		137.1	6.7	143.8	24.0	167.8
Assistant Chief Constable (2)		115.6	7.1	122.7	24.3	147.0
Assistant Chief Constable (3)	1	38.2	2.5	40.7	7.6	48.3
Assistant Chief Constable (4)		101.5	0.0	101.5	21.6	123.1
Assistant Chief Constable (5)	2	17.0	0.0	17.0	3.0	20.0
Assistant Chief Constable (6)	3	33.6	0.0	33.6	6.1	39.7
Director of Commercial Services	4	95.0	6.7	101.7	16.0	117.7
Director of People & Organisation Development		123.0	0.0	123.0	18.6	141.6
<b>Total:</b>		<b>1,003.0</b>	<b>34.6</b>	<b>1,037.6</b>	<b>192.7</b>	<b>1,230.3</b>

The Benefits in Kind figures in the draft accounts are those paid in 2016-17 as a proxy for the 2017-18 figures

#### Notes:

1. ACC (3) vacated this role on 31 July 2017.
2. ACC (5) commenced temporary role of ACC on 8 January 2018
3. ACC (6) commenced temporary role of ACC on 13 November 2017 and was made permanent on 24 April 2018
4. Director of Commercial Services – This post holder was made permanent in the role on 19 January 2018

Post holder information	Notes	Salary (inc fees and allowances)	Compensation for loss of office	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Police and Crime Commissioner for West Midlands</b>							
Police and Crime - Commissioner Mr David Jamieson		100.0	0	0	100.0	16.7	116.7
Deputy Police and Crime Commissioner	1	0	40.0	0	40.0	0	40.0
West Midlands Office for Policing and Crime -Chief Executive		83.5	0	0	83.5	14.0	97.5
West Midlands Office for Policing and Crime – Chief Finance Officer		71.7	0	0	71.7	12.0	83.7
West Midlands Office for Policing and Crime – Legal Advisor	2	33.7	0	0	33.7	5.6	39.3
<b>Total:</b>		<b>288.9</b>	<b>40.0</b>	<b>0</b>	<b>328.9</b>	<b>48.3</b>	<b>377.2</b>

1: The Deputy Police and Crime Commissioner left on the 11th May 2016

2: The West Midlands OPCC Legal Advisor is employed for 0.39 FTE. The post holders' annualised equivalent salary is £83,500

### Senior Officers' remuneration in 2016-17

Post holder information	Notes	Salary (inc fees and allowances)	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000
<b>Chief Constable for West Midlands Police</b>						
Chief Constable D Thompson		191.3	5.9	197.2	40.1	237.3
Deputy Chief Constable		148.1	5.7	153.8	30.7	184.5
Assistant Chief Constable (1)		119.0	6.7	125.7	24.0	149.7
Assistant Chief Constable (2)		114.5	7.1	121.6	23.4	145.0
Assistant Chief Constable (3)	1	48.5	2.9	51.4	10.00	61.4
Assistant Chief Constable (4)		109.9	2.5	112.4	21.7	134.1
Assistant Chief Constable (5)	1	49.4	0.0	49.4	10.4	59.8
Director of Resources	2	68.9	4.0	72.9	7.8	80.7
Director of Commercial Services (Acting)	3	38.8	6.7	45.5	4.4	49.9
Director of People & Organisation Development	4	24.4	0.0	24.4	2.4	26.8
<b>Total:</b>		<b>912.8</b>	<b>41.5</b>	<b>954.3</b>	<b>174.9</b>	<b>1,129.2</b>

1. ACC (5) commenced temporary role of Assistant Chief Constable on Monday 19 September following the departure of ACC (3) to another Force.

2. 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

3. 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

4. Director of People & Organisation Development commenced this role on Monday 23 January 2017. The Post Holder’s annualised salary is £118,000

Post holder information	Notes	Salary (inc fees and allowances)	Compensation for loss of office	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Police and Crime Commissioner for West Midlands</b>							
Police and Crime Commissioner Mr David Jamieson		100.0	0	0	100.0	11.4	111.4
Deputy Police and Crime Commissioner	1	7.6	0	0	7.6	0.8	8.4
West Midlands Office for Policing and Crime Chief Executive		81.4	0	0	81.4	9.3	90.7
West Midlands Office for Policing and Crime – Chief Finance Officer		69.9	0	0	69.9	8.0	77.9
West Midlands Office for Policing and Crime – Legal Advisor	2	32.8	0	0	32.8	3.7	36.5
<b>Total</b>		<b>291.7</b>	<b>0</b>	<b>0</b>	<b>291.7</b>	<b>33.2</b>	<b>324.9</b>

Notes:

1: The Deputy Police and Crime Commissioner left on the 11th May 2016

2: The West Midlands OPCC Legal Advisor is employed for 0.39 FTE. The post holders’ annualised equivalent salary is £83,500

## 12. TERMINATION BENEFITS

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

Cost band	No. of compulsory redundancies		No. of other agreed departures		Total No. of exit packages by cost band		Total cost of exit packages in each band		
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	
			Restated		Restated		Restated	£'000	£'000
£0 - £19,999	0	5	81	21	81	26	555	217	
£20,000 - £39,999	0	2	15	4	15	6	478	169	
£40,000 - £59,999	0	1	4	3	4	4	197	173	
£60,000 - £79,999	0	1	7	1	7	2	496	142	
£80,000 - £99,999	0	0	5	1	5	1	431	87	
£100,000 +	0	0	7	1	7	1	1011	134	
<b>Total</b>	<b>0</b>	<b>9</b>	<b>119</b>	<b>31</b>	<b>119</b>	<b>40</b>	<b>3,168</b>	<b>922</b>	

Exit packages from 2016-17 have been re-stated to include pension strain payments which were not paid until 2017-18.

The costs shown in the table above relate to the payments made to individuals who have been made redundant or whose redundancy has been agreed as at 31 March 2018 but who have not left the Group at the Balance Sheet date.

### 13. EXTERNAL AUDIT COSTS

In 2017-18 the PCCWM incurred the following fees relating to external audit:

	Police and Crime Commissioner		Group	
	2016-17 £'000	2017-18 £'000	2016-17 £'000	2017-18 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	42	42	65	65
Fees payable to Grant Thornton UK LLP in respect of other services provided during the year	0	0	16	0

The appointed auditor in 2017-18 was Grant Thornton UK LLP. The fee payable by the PCCWM for the audit of the PCC and Group Accounts is £42,400. There is a further fee of £22,500 for the Audit of the Chief Constable of West Midlands Police accounts making a total fee of £64,900 for the Police and Crime Commissioner Group. In addition, in 2016-17 Grant Thornton UK LLP provided tax advice to the Group and represented the Group in a national group action against HMRC.

### 14. GRANT INCOME

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

	CCWMP 2016-17 £'000	PCCWM 2016-17 £'000	CCWMP 2017-18 £'000	PCCWM 2017-18 £'000
<i>Credited to Taxation and Non Specific Grant Income</i>				
Police Grant	0	250,824	0	247,320
DCLG Grant	0	180,276	0	177,751
Council Tax Support Grant	0	19,026	0	19,026
Capital Grants Received	0	6,338	0	5,641
Pensions top up grant receivable	88,949	0	90,191	0
<b>Total</b>	<b>88,949</b>	<b>456,464</b>	<b>90,191</b>	<b>449,738</b>
<i>Credited to Police Services</i>				
Loan Charges Grant	470	0	186	0
Counter Terrorism Grant	45,064	0	48,110	0
Disorder Grant	0	28	0	0
Other Grants	9,789	3,319	6,526	3,322

## **15. RELATED PARTY TRANSACTIONS**

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

### **Central Government**

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

### **Pension Schemes and Precepts**

The Local Government Pension Scheme is administered by Wolverhampton City Council and the PCCWM has made payments to them of £30.9m in 2017-18 (£17.4m in 2016-17). Payments we have received from other Local Authorities in the form of precept income from Council Tax payers are detailed within the Comprehensive Income and Expenditure Statement.

### **Members and Senior OPCC staff**

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

Three members of the Strategic Policing and Crime Board have declared related party interests in this financial year. These range from volunteering to appear in an educational video for a third party organisation to being a councillor for a Local Authority in the West Midlands area.

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

### **Force Senior Officers**

No Chief Officers of the Force have declared any related party transactions in 2017-18.

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

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

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



## 16. MEMBERS ALLOWANCES

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

	2016-17 £'000	2017-18 £'000
Allowances paid	154	178
Expenses	6	7

## 17. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2016-17 Outturn £'000		2017-18 Programme £'000	2017-18 Outturn £'000
	<b>Property Plant and Equipment comprising:</b>		
	<b>Land and Buildings:</b>		
152	New Police Buildings	0	0
6,097	Improvements and Adaptations	0	0
	<b>Vehicles and Equipment:</b>		
3,812	Vehicles	5,128	5,459
10,833	IT and Equipment	7,003	2,714
1,911	Intangibles	22,547	10,082
<b>22,805</b>	<b>TOTAL</b>	<b>34,678</b>	<b>18,255</b>
	<b>FINANCING OF EXPENDITURE</b>		
6,281	Capital Grants	3,627	4,928
2,083	Capital Receipts	19,169	7,474
14,250	Capital Reserve	6,725	5,550
191	Direct Revenue Financing	5,157	303
<b>22,805</b>	<b>TOTAL</b>	<b>34,678</b>	<b>18,255</b>

The opening Capital Financing Requirement (CFR) at the start of the current reporting period was £35.4m and the closing CFR was £34.0m. The reduction in the CFR is made up of the Minimum Revenue Provision (MRP) representing a decrease in the underlying need to borrow.

## 18. LEASES

### Operating Leases

The PCCWM leases several of the properties which it occupies. The amount paid in respect of property rentals in 2017-18 was £1.45m including service charges and insurance.

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

	31 March 2017 £'000	31 March 2018 £'000
Within one year	587	445
Within two to five years	1,325	1,077
After more than five years	1,345	1,189
<b>Total</b>	<b>3,257</b>	<b>2,711</b>

### Finance leases

The PCCWM does not have any finance leases in 2017-18.

## 19. DEFINED BENEFIT PENSION SCHEMES

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

The Group participates in two post-employment schemes:

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

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

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

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

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

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

## Comprehensive Income and Expenditure Statement

2017-18	Local Government Pension Scheme PCC element	Local Government Pension Scheme Group	1987 Police Pension Scheme	Police Injury Awards	2006 Police Pension Scheme	2015 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Net cost of services:</u>							
Current service cost	(418)	(40,357)	(43,420)	(2,420)	(1,690)	(75,810)	<b>(163,697)</b>
Past service (cost)/ gain	0	0	0	0	0	0	<b>0</b>
Curtailments	0	(941)	0	0	0	0	<b>(941)</b>
<u>Financing and Investing Income &amp; Expenditure:</u>							
Net Interest cost	(55)	(8,987)	(171,040)	(2,760)	(8,300)	(5,960)	<b>(197,047)</b>
Administration costs	(1)	(266)	0	0	0	0	<b>(266)</b>
<b>Total post-employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(474)</b>	<b>(50,551)</b>	<b>(214,460)</b>	<b>(5,180)</b>	<b>(9,990)</b>	<b>(81,770)</b>	<b>(361,951)</b>
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	<b>0</b>
<u>Re-measurements of the net defined benefit liability/asset</u> <u>Comprising:</u>							
Return on plan assets (excluding the amount included in the net interest cost)	(104)	(16,772)	0	0	0	0	<b>(16,772)</b>
Actuarial gains and losses arising on changes in demographic assumptions	0	0	215,470	(2,610)	10,530	17,820	<b>241,210</b>
Actuarial gains and losses arising on changes in financial assumptions	313	32,424	(212,780)	3,180	(25,030)	(6,370)	<b>(208,576)</b>
Experience gains and losses arising on the pension liabilities	0	0	(29,250)	(2,550)	7,870	(600)	<b>(24,530)</b>
<b>Net charge to Comprehensive Income and Expenditure Statement</b>	<b>(265)</b>	<b>(34,899)</b>	<b>(241,020)</b>	<b>(7,160)</b>	<b>(16,620)</b>	<b>(70,920)</b>	<b>(370,619)</b>

2016-17	Local Government Pension Scheme PCC element	Local Government Pension Scheme Group	1987 Police Pension Scheme	Police Injury Awards	2006 Police Pension Scheme	2015 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net cost of services:</b>							
Current service cost	(237)	(20,737)	(41,310)	(2,350)	(1,360)	(43,070)	<b>(108,827)</b>
Past service (cost)/ gain	0	0	0	0	0	0	<b>0</b>
Curtailements	0	(2,059)	0	0	0	0	<b>(2,059)</b>
<i>Financing and Investing Income &amp; Expenditure:</i>							
Net Interest cost	(77)	(8,458)	(188,000)	(4,360)	(7,260)	(3,130)	<b>(211,208)</b>
Administration costs	(2)	(252)	0	0	0	0	<b>(252)</b>
<b>Total post-employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(316)</b>	<b>(31,506)</b>	<b>(229,310)</b>	<b>(6,710)</b>	<b>(8,620)</b>	<b>(46,200)</b>	<b>(322,346)</b>
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	<b>0</b>
<i>Re-measurements of the net defined benefit liability/asset Comprising:</i>							
Return on plan assets (excluding the amount included in the net interest cost)	674	86,656	0	0	0	0	<b>86,656</b>
Actuarial gains and losses arising on changes in demographic assumptions	80	14,893	112,960	29,620	(10)	0	<b>157,463</b>
Actuarial gains and losses arising on changes in financial assumptions	(1,486)	(239,818)	(1,220,770)	(20,590)	(99,590)	(56,910)	<b>(1,637,678)</b>
Experience gains and losses arising on the pension liabilities	2,296	40,378	17,157	13,810	(330)	2,630	<b>73,645</b>
<b>Net charge to Comprehensive Income and Expenditure Statement</b>	<b>1,248</b>	<b>(129,397)</b>	<b>(1,319,963)</b>	<b>16,130</b>	<b>(108,550)</b>	<b>(100,480)</b>	<b>(1,642,260)</b>

## Movement in Reserves Statement

2017-18	Local Government Pension Scheme PCC element £'000	Local Government Pension Scheme Group £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	474	50,551	214,460	5,180	9,990	81,770	<b>361,951</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>							
Employer's contributions payable to the scheme	(186)	(25,426)	0	0	0	0	<b>(25,426)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(164,070)	(2,430)	(240)	21,013	<b>(145,727)</b>

2016-17	Local Government Pension Scheme PCC element £'000	Local Government Pension Scheme Group £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	316	31,506	229,310	6,710	8,620	46,200	<b>322,346</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>							
Employer's contributions payable to the scheme	(103)	(11,645)	0	0	0	0	<b>(11,645)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	0	(166,850)	(2,460)	(120)	18,950	<b>(150,480)</b>

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

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

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

2017-18	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(6,320)	(963,166)	(6,593,640)	(108,980)	(329,040)	(268,440)	<b>(8,263,266)</b>
Fair value of plan assets	4,184	620,578	0	0	0	0	<b>620,578</b>
Sub-total	<b>(2,136)</b>	<b>(342,588)</b>	<b>(6,593,640)</b>	<b>(108,980)</b>	<b>(329,040)</b>	<b>(268,440)</b>	<b>(7,642,688)</b>
Other movements in the liability	0	0	0	0	0	0	<b>0</b>
Net liability arising from the defined benefit obligation	<b>(2,136)</b>	<b>(342,588)</b>	<b>(6,593,640)</b>	<b>(108,980)</b>	<b>(329,040)</b>	<b>(268,440)</b>	<b>(7,642,688)</b>

2016-17	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(5,436)	(939,082)	(6,512,857)	(104,250)	(312,600)	(176,910)	<b>(8,045,669)</b>
Fair value of plan assets	3,379	605,967	0	0	0	0	<b>605,967</b>
Sub-total	<b>(2,057)</b>	<b>(333,115)</b>	<b>(6,512,857)</b>	<b>(104,250)</b>	<b>(312,600)</b>	<b>(176,910)</b>	<b>(7,439,732)</b>
Other movements in the liability	0	0	797	0	0	0	<b>797</b>
Net liability arising from the defined benefit obligation	<b>(2,057)</b>	<b>(333,115)</b>	<b>(6,512,060)</b>	<b>(104,250)</b>	<b>(312,600)</b>	<b>(176,910)</b>	<b>(7,438,935)</b>

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

2017-18	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
1 April -17	(5,436)	(939,082)	(6,512,060)	(104,250)	(312,600)	(176,910)	(8,044,902)
Current service cost	(418)	(40,357)	(43,420)	(2,420)	(1,690)	(75,810)	(163,697)
Interest cost	(161)	(26,156)	(171,030)	(2,760)	(8,300)	(5,960)	(214,206)
Contributions by scheme participants	(83)	(5,961)	(9,740)	0	(440)	(21,060)	(37,201)
Transfers into the scheme	0	0	(80)	0	(50)	(10)	(140)
Re-measurements of the net defined benefit liability/asset	313	32,424	(26,560)	(1,980)	(6,640)	10,840	8,084
Benefits paid	(535)	16,907	173,810	2,430	680	470	194,297
Curtailments	0	(941)	0	0	0	0	(941)
Past service costs	0	0	(4,560)	0	0	0	(4,560)
Other movements in the liability	0	0	0	0	0	0	0
31 March-18	(6,320)	(963,166)	(6,593,640)	(108,980)	(329,040)	(268,440)	(8,263,266)

2016-17	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
1 April -16	(5,867)	(716,350)	(5,358,597)	(122,840)	(203,890)	(57,480)	(6,459,157)
Current service cost	(237)	(20,737)	(41,310)	(2,350)	(1,360)	(43,070)	(108,827)
Interest cost	(217)	(27,034)	(188,000)	(4,360)	(7,260)	(3,130)	(229,784)
Contributions by scheme participants	(70)	(5,722)	(11,990)	0	(490)	(19,430)	(37,632)
Transfers into the scheme	0	0	(350)	0	(280)	0	(630)
Re-measurements of the net defined benefit liability/asset	890	(184,547)	(1,091,450)	22,840	(99,930)	(54,280)	(1,407,367)
Benefits paid	65	17,367	178,840	2,460	610	480	199,757
Curtailments	0	(2,059)	0	0	0	0	(2,059)
Past service costs	0	0	0	0	0	0	0
Other movements in the liability	0	0	797	0	0	0	797
31 March-17	(5,436)	(939,082)	(6,512,060)	(104,250)	(312,600)	(176,910)	(8,044,902)

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



	Local Government Pension Scheme PCC assets £'000		Local Government Pension Scheme Group assets £'000	
	2016-17	2017-18	2016-17	2017-18
	01 April	3,729	3,379	488,934
Interest on plan assets	140	106	18,576	17,169
Return on plan assets excluding the amount included in the net interest expense	674	(104)	86,656	(16,772)
Other Actuarial gains (losses)	(1,270)	0	12,053	0
Employer contributions	103	186	11,645	25,426
Member contributions	70	83	5,722	5,961
Benefits paid	(65)	535	(17,367)	(16,907)
Administration expenses	(2)	(1)	(252)	(266)
31 March	<b>3,379</b>	<b>4,184</b>	<b>605,967</b>	<b>620,578</b>

## History of the scheme

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

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>						
Local Government Pension Scheme	(963,166)	(939,082)	(716,350)	(724,606)	(561,470)	(570,623)
1987 Police Pension Scheme	(6,593,640)	(6,512,060)	(5,358,597)	(6,292,860)	(5,424,560)	(5,473,010)
Police Injury award Pensions	(108,980)	(104,250)	(122,840)	(126,970)	(187,630)	(210,810)
2006 Police Pension Scheme	(329,040)	(312,600)	(203,890)	(260,970)	(194,530)	(185,220)
2015 Police Pension Scheme	(268,440)	(176,910)	(57,480)	0	0	0
Fair value of assets in the Local Government Pension Scheme	620,578	605,967	488,934	474,931	404,159	378,872
<b>Subtotal</b>	<b>(7,642,688)</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	(342,588)	(333,115)	(227,416)	(249,675)	(157,311)	(191,751)
1987 Police Pension Scheme	(6,593,640)	(6,512,060)	(5,358,597)	(6,292,860)	(5,424,560)	(5,473,010)
Police Injury award Pensions	(108,980)	(104,250)	(122,840)	(126,970)	(187,630)	(210,810)
2006 Police Pension Scheme	(329,040)	(312,600)	(203,890)	(260,970)	(194,530)	(185,220)
2015 Police Pension Scheme	(268,440)	(176,910)	(57,480)	0	0	0
<b>Total</b>	<b>(7,642,688)</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>

Within the amounts for 2017-18, the present value of liabilities relating to the staff within the Office for the Police and Crime Commissioner are £6.320m (£5.436m in 2016-17) and the fair value of the assets in the Local Government Pension Scheme that relate to the Office for the Police and Crime Commissioner are £4.184m (£3.379m in 2016-17).

The liabilities show the underlying commitments that the Group has in the long run to pay post-employment (retirement) benefits. The total liability of £7,643m has a substantial impact on the net worth of the Group recorded in the Balance Sheet, resulting in a negative overall balance of £7,419m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2019 is £18.7m. Expected contributions for the Police Pension Scheme in the year to 31 March 2019 are £83.5m

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme liabilities have been assessed by the Government Actuary's Department and the Police staff liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. The estimates for the West Midlands Pension Fund have been based on the last full valuation of the scheme as at 31 March 2016.

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

The principal assumptions in the calculations made are:-

	Local Government Pension Scheme		Police Pension Scheme	
	2016-17	2017-18	2016-17	2017-18
	Years	Years	Years	Years
Mortality Assumptions:				
<b>Longevity at 65 for current pensioners:</b>				
Men	21.8	21.9	23.2	22.6
Women	24.2	24.3	25.2	24.2
<b>Longevity at 65 for future pensioners:</b>				
Men	23.9	24.0	25.2	24.5
Women	26.5	26.6	27.3	26.1
	%	%	%	%
Rate of CPI inflation	2.70	2.30	2.35	2.30
Rate of increase in salaries	4.20	3.80	4.35	4.30
Rate of increase in pensions	2.70	2.30	2.35	2.30
Rate for discounting scheme liabilities	2.80	2.55	2.65	2.55
Proportion of employees opting to take a commuted lump sum	50	50	n/a*	n/a*

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

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

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

Local Government Pension Scheme PCC	Sensitivity analysis	Impact on the defined benefit obligation in the scheme		
		£000's	£000's	£000's
<b>Adjustment to the discount rate</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	6,180	6,320	6,463
<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	380	391	402
<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	6,339	6,320	6,301
<b>Adjustment to life expectancy assumptions</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	402	391	380
<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	6,544	6,320	6,104
		403	391	379

Local Government Pension Scheme Group	Sensitivity analysis	Impact on the defined benefit obligation in the scheme		
		£000's	£000	£000
<b>Adjustment to the discount rate</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	942,659	963,166	984,138
<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	37,450	38,450	39,477
<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	959,908	956,846	953,807
<b>Adjustment to life expectancy assumptions</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	38,059	38,059	38,059
<b>Adjustment to life expectancy assumptions</b>	Present value of total obligation	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	Projected service cost	974,643	956,846	939,449
<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	39,479	38,450	37,447
<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	997,659	956,846	923,795
		39,273	38,059	36,883

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)	182,000	(182,000)
Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%)	582,000	(582,000)
Rate of increase in salaries (increase or decrease by 0.5%)	128,000	(128,000)
Rate of discounting scheme liability (increase or decrease by 0.5%)	771,000	(771,000)

The police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund covering police staff are valued at fair value, (the bid price of investments held), totalling £620.6m for the fund as a whole at 31 March 2018 (£606.0m at 31 March 2017). The Funds' assets have been split into assets relating to the PCC and those relating to the Group as a whole and these consist of the following categories by proportion of the total assets of the Fund:

Asset category	Sub category	Quoted Y or N	PCC Fair value of Assets Held		Group Fair value of assets held	
			31 March 2017 £'000s	31 March 2018 £'000s	31 March 2017 £'000s	31 March 2018 £'000s
Cash and cash equivalents	Cash instruments and accounts	Y	0	0	0	0
	Cash instruments and accounts	N	96	103	17,294	15,272
<b>Total Cash</b>			<b>96</b>	<b>103</b>	<b>17,294</b>	<b>15,272</b>
Equity Instruments	UK quoted	Y	619	669	110,893	98,992
	UK unquoted	N	0	12	0	1,861
	Overseas quoted	Y	1,308	1,767	234,570	262,302
	Overseas unquoted	N	250	226	44,841	33,484
<b>Total equity</b>			<b>2,177</b>	<b>2,674</b>	<b>390,304</b>	<b>396,639</b>
Bonds	UK Government fixed	Y	0	0	0	0
	UK Government fixed	N	41	46	7,272	6,856
	UK Government indexed	Y	210	235	37,934	34,853
	UK Government indexed	N	0	0	0	0
	UK other	Y	0	0	0	0
	UK other	N	139	160	24,845	23,626
	Overseas other	Y	0	0	0	0
	Overseas other	N	24	25	4,242	3,753
<b>Total Bonds</b>			<b>414</b>	<b>466</b>	<b>74,293</b>	<b>69,088</b>
Property	UK and property funds	Y	260	322	46,680	47,781
<b>Total property</b>			<b>260</b>	<b>322</b>	<b>46,680</b>	<b>47,781</b>
Alternatives	Infrastructure	Y	3	4	606	620
	Infrastructure	N	101	159	18,179	23,575
	Absolute return	Y	0	0	0	0
	Absolute return	N	176	138	31,343	20,479
	Other fixed interest	Y	0	0	0	0
	Other fixed interest	N	152	201	27,268	29,748
	Futures	Y	0	117	0	17,376
<b>Total Alternatives</b>			<b>432</b>	<b>619</b>	<b>77,396</b>	<b>91,798</b>
<b>Total Assets held</b>			<b>3,379</b>	<b>4,184</b>	<b>605,967</b>	<b>620,578</b>

## 20. DISCRETIONARY PENSION PAYMENTS

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

	2016-17 Capitalised Value £'000	2017-18 Actual Payments £'000	2017-18 Capitalised Value £'000
Payments made in respect of decisions made in the year	0	0	0
Payments made in respect of decisions made in previous years	1,991	107	1,923
	<b>1,991</b>	<b>107</b>	<b>1,923</b>

## 21. PROVISIONS

A new provision was recognised in 2015-16 for a portion of the costs of the core team provided by the forces innovation partner – Accenture. The current value of this provision is £0.14m. This is part of the contractual arrangement between the PCC and Accenture in relation to the provision of services to the PCC.

A provision has been made at the end of 2017-18 for the pay award for Police Staff dating from 1 September 2017. At the Balance sheet date this award was still being balloted by employment unions. It was decided to make a provision for the back dated payment due at the level being offered at the Balance sheet date of 1% across all pay scales with a non-consolidated 1% lump sum also paid for the year. The value of this provision is £1.4m.

## 22. CONTINGENT LIABILITIES AND ASSETS

The Chief Constable of West Midlands Police, along with other Chief Constables and the Home Office, currently has 737 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 and in 2016-17 these claims were heard in the Employment Tribunal.

In 2017-18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

The Chief Constable of West Midlands Police along with other Chief Constables had claims lodged against them in the Courts predominately in the Mayor's and City of London County Court. The number of claims against the Chief Constable of West Midlands Police is 35 and are in respect of breaches of the Police Regulations 2003 in particular, failure to pay overtime, compensatory leave and other on call allowances to CHIS (Covert Human Intelligence Source) handlers. The cases against all Forces have been stayed pending agreement on lead cases, which are due to be determined at a further hearing in August 2018. These claims

are expected to have a financial impact on West Midlands Police, but the level of such impact is unclear at this stage, as the investigation into the likely value of compensation to the Claimants is still ongoing.

The Hillsborough inquiry is ongoing and is one of a number of historical inquiries that are at various stages which potentially could have a financial impact on West Midlands Police.

### 23. POLICE PROPERTY ACT FUND

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

	31 March 17 £'000	31 March 18 £'000
<b>Balance as at 1 April</b>	<b>324</b>	<b>288</b>
Income from confiscations and property auctions	147	311
Payments to charities	(183)	(3)
<b>Balance as at 31 March</b>	<b>288</b>	<b>597</b>

Notes 23 and 24 contain details of accounts held by the Police and Crime Commissioner for the West Midlands which do not form part of the primary statements shown on pages 31 to 36.

### 24. TRUST FUNDS

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

Supported by the PCC, the Charity supports a number of police service related initiatives within the West Midlands. The balance on the funds accounts at 31 March 2018 was £146,945 (£147,223 at 31 March 2017).

#### **The Alderman Guy Fund**

Supported by the Police Force this small charity makes awards to selected officers whose performance it recognises as being of particular merit.

The balance on the funds accounts at 31 March 2018 was £1,726 (£1,725 at 31 March 2017).

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

### 25. PROCEEDS OF CRIME ACT 2002 ACCOUNT

In addition, there are three bank accounts for the holding of 3<sup>rd</sup> party funds seized as suspected proceeds of crime in accordance with the Act. At 31 March 2018 the balance on these accounts was £4,067,148, \$13,163 and €9,948. At 31 March 2017 the balance on these accounts was £4,286,838, \$20,332 and €7,653.

# NOTES TO THE MOVEMENT IN RESERVES STATEMENT

## 26. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2017-18 Group	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non-current assets	(9,672)			(9,672)	9,672
Revaluation losses on Property, Plant and Equipment	0			0	0
Amortisation of intangible assets	(1,836)			(1,836)	1,836
Capital grants and contributions applied	4,928			4,928	(4,928)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(3,134)			(3,134)	3,134
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Statutory provision for the financing of capital investment (MRP)	1,361			1,361	(1,361)
Capital expenditure charged against the general fund balance	303			303	(303)
Voluntary provision above MRP	608			608	(608)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	5,641		(5,641)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(4,928)		4,928	0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,181	(6,181)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		7,474		7,474	(7,474)
Transfer from deferred Capital Receipts					
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement					
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(276,320)			(276,320)	276,320
Employers pensions contributions and direct payments to pensioners payable in the year	76,087			76,087	(76,087)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(427)			(427)	427
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(206)			(206)	206
<b>TOTAL ADJUSTMENTS</b>	<b>(201,414)</b>	<b>1,293</b>	<b>(713)</b>	<b>(200,834)</b>	<b>200,834</b>

2016-17 Group	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account</b>					
Charges for depreciation and impairment of non-current assets	(9,179)			(9,179)	9,179
Revaluation losses on Property, Plant and Equipment	(16,307)			(16,307)	16,307
Amortisation of intangible assets	(1,583)			(1,583)	1,583
Capital grants and contributions applied	6,282			6,282	(6,282)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,127)			(2,127)	2,127
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</b>					
Statutory provision for the financing of capital investment (MRP)	1,418			1,418	(1,418)
Capital expenditure charged against the general fund balance	191			191	(191)
Voluntary provision above MRP	553			553	(553)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	6,338		(6,338)		
Application of grants to capital financing transferred to the Capital Adjustment Account	(6,282)		6,282		
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,398	(2,398)			
Use of the Capital Receipts Reserve to finance new capital expenditure		2,083		2,083	(2,083)
Transfer from deferred Capital Receipts	160	(160)			
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(160)			(160)	160
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(233,397)			(233,397)	233,397
Employers pensions contributions and direct payments to pensioners payable in the year	78,102			78,102	(78,102)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(225)			(225)	225
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(319)			(319)	319
<b>TOTAL ADJUSTMENTS</b>	<b>(174,137)</b>	<b>(475)</b>	<b>(56)</b>	<b>(174,668)</b>	<b>174,668</b>



2017-18 PCC	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non-current assets	(9,672)			(9,672)	9,672
Revaluation losses on Property, Plant and Equipment	0			0	0
Amortisation of intangible assets	(1,836)			(1,836)	1,836
Capital grants and contributions applied	4,928			4,928	(4,928)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(3,134)			(3,134)	3,134
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Statutory provision for the financing of capital investment (MRP)	1,361			1,361	(1,361)
Capital expenditure charged against the general fund balance	303			303	(303)
Voluntary provision above MRP	608			608	(608)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	5,641		(5,641)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(4,928)		4,928	0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,181	(6,181)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		7,474		7,474	(7,474)
Transfer from Deferred Capital Receipts					
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement					
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(474)			(474)	474
Employers pensions contributions and direct payments to pensioners payable in the year	186			186	(186)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(427)			(427)	427
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements					
<b>TOTAL ADJUSTMENTS</b>	(1,263)	1,293	(713)	(683)	683

2016-17 PCC	General Fund balance	Capital Receipts reserve	Capital Grants unapplied reserve	Movement in usable reserves	Movement in unusable reserves
	£'000	£'000	£'000	£'000	£'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account</b>					
Charges for depreciation and impairment of non-current assets	(9,179)			(9,179)	9,179
Revaluation losses on Property, Plant and Equipment	(16,307)			(16,307)	16,307
Amortisation of intangible assets	(1,583)			(1,583)	1,583
Capital grants and contributions applied	6,282			6,282	(6,282)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,127)			(2,127)	2,127
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</b>					
Statutory provision for the financing of capital investment (MRP)	1,418			1,418	(1,418)
Capital expenditure charged against the general fund balance	191			191	(191)
Voluntary provision above MRP	553			553	(553)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	6,338		(6,338)		
Application of grants to capital financing transferred to the Capital Adjustment Account	(6,282)		6,282		
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,398	(2,398)			
Use of the Capital Receipts Reserve to finance new capital expenditure		2,083		2,083	(2,083)
Transfer from Deferred Capital Receipts	160	(160)			
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(160)			(160)	160
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	(316)			(316)	316
Employers pensions contributions and direct payments to pensioners payable in the year.	103			103	(103)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(225)			(225)	225
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements				0	0
<b>TOTAL ADJUSTMENTS</b>	<b>(18,736)</b>	<b>(475)</b>	<b>(56)</b>	<b>(19,267)</b>	<b>19,267</b>

## 27. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amount set aside from the General Fund in the PCC's Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2017-18.

	Balance at 31 March 2016	Trf to reserves in 2016-17	Trf from reserves in 2016-17	Trf between reserves in 2016-17	Balance at 31 March 2017	Trf to reserves in 2017-18	Trf from reserves in 2017-18	Trf between reserves in 2017-18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital reserve	(20,975)	0	14,250	0	(6,725)	0	5,550	0	(1,176)
Budget reserve	(30,150)	0	16,545	0	(13,605)	0	19,994	(25,492)	(19,101)
Redundancy and Equal pay reserve	(10,097)	0	0	2,000	(8,097)	0	1,258	6,839	0
Self-funded insurance reserve	(9,691)	(2,506)	3,909	(2,000)	(10,288)	(2,506)	3,365	0	(9,429)
Devolved Budget reserve	(12,275)	(9,367)	0	0	(21,642)	(15,357)	9,117	0	(27,882)
Uniform and protective equipment reserve	(3,015)	(1,729)	597	0	(4,147)	(429)	518	(4,839)	(8,897)
Major incidents	(2,153)	0	0	0	(2,153)	0	0	0	(2,153)
PoCA income reserve	(1,082)	0	250	0	(832)	0	0	0	(832)
Risk reserve	(1,022)	0	0	0	(1,022)	0	0	0	(1,022)
Budget Resilience reserve	(25,492)	0	0	0	(25,492)	0	0	25,492	0
Police Property and Misuse of Drugs Act reserve	0	0	0	0	0	(804)	0	0	(804)
National Contingency reserve	0	0	0	0	0	0	0	(2,000)	(2,000)
<b>Earmarked Reserves</b>	<b>(115,952)</b>	<b>(13,602)</b>	<b>35,551</b>	<b>0</b>	<b>(94,003)</b>	<b>(19,096)</b>	<b>39,802</b>	<b>0</b>	<b>(73,297)</b>
<b>General Fund Reserves</b>	<b>(12,042)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,042)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,042)</b>

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

## NOTES TO THE BALANCE SHEET

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

#### Movements in 2017-18

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation at 31 March 2017</b>	<b>146,873</b>	<b>67,662</b>	<b>4,555</b>	<b>219,090</b>
Additions in Year		7,893	3,309	11,202
Transfer between Categories	(2,620)	27	(3,864)	(6,457)
De Minimis				0
Disposals in Year	(635)	(7,534)	(526)	(8,695)
Revaluation Gains in Year	20	(41)		(21)
Revaluation Losses in Year				0
Impairments in Year				0
<b>Cost or valuation at 31 March 2018</b>	<b>143,638</b>	<b>68,007</b>	<b>3,474</b>	<b>215,119</b>
<b>Accumulated Depreciation at 31 March 2017</b>	<b>5,776</b>	<b>49,997</b>	<b>0</b>	<b>55,773</b>
Depreciation Charge in Year	2,875	6,778		9,653
Transfer between Categories	(54)			(54)
Depreciation written out on Revaluation	(127)	(53)		(180)
Depreciation written out on Revaluation Loss				0
Depreciation written out on Impairment				0
Disposals in Year	(81)	(7,369)		(7,450)
<b>Accumulated Depreciation at 31 March 2018</b>	<b>8,389</b>	<b>49,353</b>		<b>57,742</b>
<b>Net Book Value at 31 March 2018</b>	<b>135,249</b>	<b>18,654</b>	<b>3,474</b>	<b>157,377</b>
<b>Net Book Value at 31 March 2017</b>	<b>141,097</b>	<b>17,665</b>	<b>4,555</b>	<b>163,317</b>

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

## Comparative Movements in 2016-17

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation at 31 March 2016</b>	<b>98,310</b>	<b>62,300</b>	<b>56,905</b>	<b>217,514</b>
Additions in Year	1,361	10,024	9,644	21,029
Transfer between Categories	60,215		(61,724)	(1,509)
De Minimis	(28)	(277)		(305)
Disposals in Year	(1,145)	(4,384)	(270)	(5,799)
Revaluation Gains in Year	4,566			4,566
Revaluation Losses in Year	(16,406)			(16,406)
Impairments in Year				
<b>Cost or valuation at 31 March 2017</b>	<b>146,873</b>	<b>67,662</b>	<b>4,555</b>	<b>219,090</b>
<b>Accumulated Depreciation at 31 March 2016</b>	<b>3,578</b>	<b>47,920</b>	<b>0</b>	<b>51,497</b>
Depreciation Charge in Year	2,450	6,386		8,836
Transfer between Categories				
Depreciation written out on Revaluation	(170)			(170)
Depreciation written out on Revaluation Loss				
Depreciation written out on Impairment				
Disposals in Year	(82)	(4,310)		(4,392)
<b>Accumulated Depreciation at 31 March 2017</b>	<b>5,776</b>	<b>49,997</b>	<b>0</b>	<b>55,773</b>
<b>Net Book Value at 31 March 2017</b>	<b>141,097</b>	<b>17,665</b>	<b>4,555</b>	<b>163,317</b>
<b>Net Book Value at 31 March 2016</b>	<b>94,732</b>	<b>14,380</b>	<b>56,905</b>	<b>166,017</b>

## Valuations

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Total £000
Carried at Historical Cost	2,568	67,994	70,562
Valued at current value as at:			
1 April 2017	26,500	13	26,513
1 April 2016	37,650	0	37,650
1 April 2015	18,360	0	18,360
1 April 2014	58,560	0	58,560
1 April 2013	0	0	0
Total cost or valuation	143,638	68,007	211,645

## 29. HERITAGE ASSETS

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

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

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

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

## 30. FUTURE CAPITAL COMMITMENTS

There are no material Capital Contracts currently committed, but it is the intention to invest Capital resources as part of the WMP2020 Programme and the newly approved Estates Strategy.

## 31. STATEMENT OF PHYSICAL ASSETS

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

	31 March 17	31 March 18
Operational Police Stations	10	10
Beat Offices	61	50
Police Administrative Buildings	2	2
Police Houses	15	12
Standalone Radio Aerials	2	2
Garages	1	1
Training Centres	4	4
Other Property	33	33

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

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

## 32. INTANGIBLE ASSETS

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

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

	2016-17			2017-18		
	Internally generated assets	Other Assets	Total	Internally generated assets	Other assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Balance at start of year</u>						
Gross carrying amounts	0	13,299	13,299	1,397	13,962	15,359
Accumulated amortisation	0	(10,649)	(10,649)	(116)	(12,070)	(12,186)
Net carrying amount at start of year	<b>0</b>	<b>2,650</b>	<b>2,650</b>	<b>1,281</b>	<b>1,892</b>	<b>3,173</b>
<u>Additions</u>						
Internal Development	1023	0	1,023	46	0	46
Purchases	0	754	754	0	7,007	7,007
Net Disposals in the year	0	(8)	(8)	0	0	0
Amortisation for the period	(116)	(1,467)	(1,583)	(96)	(1,753)	(1,849)
Transfer between categories	374	0	374	1,173	2,664	3,837
De Minimis	0	(37)	(37)	0	0	0
Net carrying amount at the end of the year	1,281	1,892	3,173	2,404	9,810	12,214
<u>Comprising:</u>						
Gross carrying amounts	1,397	13,962	15,359	2,616	19,259	21,875
Accumulated amortisation	(116)	(12,070)	(12,186)	(212)	(9,449)	(9,661)
	<b>1,281</b>	<b>1,892</b>	<b>3,173</b>	<b>2,404</b>	<b>9,810</b>	<b>12,214</b>

### 33. FINANCIAL INSTRUMENTS

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

	Long Term at 31 March 2017 £'000	Long Term at 31 March 2018 £'000	Current at 31 March 2017 £'000	Current at 31 March 2018 £'000
Financial Liabilities at amortised cost	54,817	54,148	1,022	1,175
Total Borrowings	54,817	54,148	1,022	1,175
Loans and receivables	30,594	29,171	69,403	57,983*
Total Investments	30,594	29,171	69,403	57,983

\*This figure includes £11.4m representing investments with a maturity of less than 1 month. These are classified as cash equivalents.

Additional Financial Instruments held include:

	31 March 17 £'000	31 March 18 £'000
Short Term Debtors	30,369	28,278
Long Term Debtors	1,148	1,148
Short Term Creditors	(29,036)	(34,084)
Cash	11,100	9,457
<b>Total</b>	<b>13,581</b>	<b>4,761</b>

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

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

	Carrying amount 2017 £'000	Fair value 2017 £'000	Carrying amount 2018 £'000	Fair value 2018 £'000
<b>Financial Liabilities</b>				
<i>Borrowings</i>				
Financial Liabilities (PWLB Loans)	47,581	65,861	47,673	65,002
Financial Liabilities (WMCC debt)	7,650	10,176	7,650	8,826
<i>Creditors</i>				
Other financial liabilities	29,036	29,036	34,084	34,084
<b>Financial Assets</b>				
<i>Investments</i>				
Long Term investments	30,594	30,814	29,171	29,085
Short term Investments	69,403	69,403	57,983	51,582
<i>Debtors</i>				
Other receivables	42,617	42,617	38,883	38,883

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



Recurring fair value measurement using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
<b>Financial Liabilities</b>				
Borrowings:				
Financial Liabilities (PWLB)		47,673		47,673
Financial Liabilities (WMCC debt)		7,650		7,650
<b>Total</b>		<b>55,323</b>		<b>55,323</b>

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

Financial Assets	Financial Liabilities
Where an instrument will mature in the next 12 months fair value is taken as carrying value	No early repayment is recognised
The fair value of trade and other receivables is taken as the billed or invoiced amount	Estimated ranges of interest rates at 31 March 2018 of 1.47% to 2.29% for PWLB loans payable based on PWLB new loan rates
	The fair value of trade and other payables is taken to be the billed of invoiced amount

#### 34. LONG TERM BORROWING

Transactions undertaken during the year were as shown below:

	31 March 17 £'000	31 March 18 £'000
Opening Balance	(55,425)	(54,817)
External Loans Raised in Year	0	0
Loans Repaid in Year	608	669
<b>Closing Balance</b>	<b>(54,817)</b>	<b>(54,148)</b>

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

	31 March 17 £'000	31 March 18 £'000
Public Works Loan Board	(47,167)	(47,167)
W.M.C.C. Debt	(7,650)	(6,981)
<b>Total</b>	<b>(54,817)</b>	<b>(54,148)</b>

The fair value of the Public Works Loan Board loans is £65.0m which measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date. However it should be noted that the PCC has the ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. The measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £47.7m would be valued at £65.0m.

The fair value of West Midlands County Council debt has been calculated as £8.8m as at 31 March 2018.

The difference in valuation between what is shown in the above table and the fair value of the debt reflects transaction costs and purchasing loans other than at par. The fair value is the amount that the loan could be traded for in an arms-length transaction; it is generally higher than amortised cost as transaction costs are not included in fair value.

The sources of short term borrowing are shown below:

	31 March 17	31 March 18
	£'000	£'000
PWLB accrued interest	414	506
W.M.C.C principal repayment	608	669
	<b>1,022</b>	<b>1,175</b>

These borrowings are repayable as follows:

	31 March 17	31 March 18
	£'000	£'000
Maturity within 5 years	7,506	10,970
Maturity within 6 to 10 years	12,546	8,566
Maturity within 11 to 15 years	0	0
Maturity in 15 or more years	35,787	35,787
<b>Total</b>	<b>55,389</b>	<b>55,323</b>

### 35. LONG AND SHORT -TERM INVESTMENTS

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

	31 March 17	31 March 18
	£'000	£'000
Short Term Investments (Banks, Building Societies, Local Authority)	69,403	57,983*
Long Term Investments	30,594	29,171
<b>Total</b>	<b>99,997</b>	<b>87,154</b>

\*Included with this figure is the amount of £11.4m (£40.4m in 2016-17) representing investments with a maturity of less than 1 month. These are classified as cash equivalents. (See note 40). The fair value of these investments has been calculated as £80.7m as at 31 March 2018; the fair value is the amount that the investments could be traded for in an arms length transaction.

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

### 36. LONG TERM DEBTORS

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

	31 March 17	31 March 18
	£'000	£'000
NPAS	1,148	1,148
<b>Total</b>	<b>1,148</b>	<b>1,148</b>

### 37. MANAGEMENT OF RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

#### Credit Risk

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

The PCC's policy for 2017-18 was to not lend more than £30m to an individual counterparty (with the exception of the Bank of England and part Government owned banks) with a high credit rating. Individual limits for value and duration are applied to each approved counterparty based on their overall credit rating.

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

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

	Amount at 31 March 2018	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2018	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2017	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2018
	£'000	%	%	£'000	£'000
Deposits with Financial Institutions	86.9	0.002	0.85	1,225	739

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

## Liquidity Risk

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

## Refinancing and Maturity Risk

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

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual 31 March 2017</b>	<b>Actual 31 March 2018</b>
	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Under 12 months	25	0	1,022	1,175
12 months and within 24 months	25	0	669	1,286
24 months and within 5 years	50	0	5,815	8,509
5 years and within 10 years	75	0	12,546	8,566
10 years and above	100	25	35,787	35,787
<b>Total</b>			<b>55,839</b>	<b>55,323</b>

## Market Risk

### Interest Rate Risk

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

Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.

Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.

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

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

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

### Price Risk

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

### Foreign Currency Risk

As at the 31<sup>st</sup> of March 2018 the PCCWM has no financial assets denominated in foreign currencies. Income received will be banked immediately and converted using the exchange rate at the time of banking. The PCC has no other exposure to loss arising from movements in exchange rates.

### 38. INVENTORIES

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

	Vehicle parts and fuel		Uniforms, Stationery and Reprographics		Total	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01 April	136	183	710	850	846	1,033
Purchases	343	288	2,111	548	2,454	836
Recognised as an expense in year	(296)	(297)	(1,971)	(779)	(2,267)	(1,076)
<b>Balance as at 31 March</b>	<b>183</b>	<b>174</b>	<b>850</b>	<b>619</b>	<b>1,033</b>	<b>793</b>

### 39. SHORT TERM DEBTORS

	31 March 2017	31 March 2018
	£'000	£'000
Central Government Bodies	48,820	44,315
Other Local Authorities and PCCs	17,004	22,587
NHS Bodies	35	33
Public Corporations and Trading Funds	0	0
Other entities and individuals	7,805	6,763
<b>Total</b>	<b>73,664</b>	<b>73,698</b>

A proportion of short term debtors are recognised as financial instruments. These have been disclosed in note 33.

### 40. CASH AND CASH EQUIVALENTS

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

	31 March 2017	31 March 2018
	£'000	£'000
Cash held by the PCCWM	338	337
Bank Current Accounts	10,762	9,120
Short term deposits with financial institutions	40,351	11,401
<b>Total</b>	<b>51,451</b>	<b>20,858</b>

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

### 41. ASSETS HELD FOR SALE

	Non-Current	
	2016-17 £'000	2017-18 £'000
Balance outstanding at start of year	711	1,135
<b>Assets newly qualified as held for sale:</b>		
Property, plant and equipment	1,135	2,620
Revaluation losses	0	0
Revaluation gains	0	0
<b>Assets declassified as held for sale:</b>		
Property, plant and equipment	0	0
Assets sold	(711)	(2,475)
<b>Total</b>	<b>1,135</b>	<b>1,280</b>

## 42. SHORT TERM CREDITORS

	31 March 2017	31 March 2018
	£'000	£'000
Central Government Bodies	10,258	15,404
Other Local Authorities and PCCs	14,585	19,169
NHS Bodies	114	482
Public Corporations and Trading Funds	0	0
Other entities and individuals	25,520	24,982
<b>Total</b>	<b>50,477</b>	<b>60,037</b>

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

## 43. USABLE RESERVES

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

#### 44. UNUSABLE RESERVES

	31 March 2017 £'000	31 March 2018 £'000
Revaluation Reserve	(20,773)	(19,404)
Capital Adjustment Account	(103,400)	(110,511)
Pensions Reserve	7,439,732	7,648,643
Deferred Capital Receipts reserve	(1,148)	(1,148)
Collection Fund Adjustment Account	(1,809)	(1,382)
Accumulated Absences Account	3,573	3,779
<b>Total</b>	<b>7,316,175</b>	<b>7,519,977</b>

#### Revaluation Reserve

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

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

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

	2016-17 £'000	2017-18 £'000
Balance at 1 April	<b>(17,679)</b>	<b>(20,773)</b>
Upward revaluation of assets	(4,697)	(160)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	59	0
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(4,638)	(160)
Difference between fair value depreciation and historical cost depreciation	539	530
Accumulated gains on assets sold or scrapped	1,005	999
Amount written off to the Capital Adjustment Account	1,544	1,529
Balance as at 31 March	<b>(20,773)</b>	<b>(19,404)</b>

## Capital Adjustment Account

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

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

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

	2016-17 £'000	2017-18 £'000
Balance at 1 April	(106,275)	(103,400)
<i>Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	8,298	9,142
Revaluation losses on Property, Plant and Equipment	16,307	0
Amortisation of intangible assets	1,583	1,836
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	1,122	2,135
	27,310	13,113
<b>Adjusting amounts written out</b>	342	0
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	27,652	13,113
<i>Capital financing applied in year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,083)	(7,474)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(6,264)	(4,911)
Application of grants to capital financing from the Capital Grants Unapplied Account	(18)	(17)
Statutory provision for the financing of capital investment charged against the General Fund balance	(1,418)	(1,361)
Voluntary Provision for the repayment of debt	(553)	(608)
Capital expenditure charged against the General Fund balance	(14,441)	(5,853)
Balance as at 31 March	(103,400)	(110,511)



## Pensions Reserve

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

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

	31 March 2017 £'000	31 March 2018 £'000
Balance at 1 April	5,975,779	7,439,732
Re-measurements of the net defined benefit liability or asset	1,308,658	8,678
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	232,721	277,759
Employers' pensions contributions and direct payments to pensioners payable in the year	(77,426)	(77,526)
<b>Balance as at 31 March</b>	<b>7,439,732</b>	<b>7,648,643</b>

## Collection Fund Adjustment Account

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

	31 March 2017 £'000	31 March 2018 £'000
<b>Balance at 1 April</b>	<b>(2,034)</b>	<b>(1,809)</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	225	427
<b>Balance at 31 March</b>	<b>(1,809)</b>	<b>(1,382)</b>

## Accumulating Compensated Absences Adjustment Account

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

	2016-17 £'000	2017-18 £'000
<b>Balance at 1 April</b>	<b>3,255</b>	<b>3,573</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	3,255	3,573
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	319	205
<b>Balance at 31 March</b>	<b>3,573</b>	<b>3,778</b>

## NOTES TO THE CASH FLOW STATEMENT

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

	Year ended 31 March 17 £'000	Year ended 31 March 18 £'000
Decrease/ (Increase) in cash	2,305	30,593
Cash outflow from increase in liquid resources	32,616	(16,106)
Financing	(608)	(670)
<b>Change in net debt resulting from cashflows</b>		
Net Debt as at 1 April 2015	90,592	56,279
Net Debt as at 31 March 2016	56,279	42,462

### 46. MOVEMENT IN CASH AND CASH EQUIVALENTS

	Balance at 31 March 17 £'000	Movement in the Year £'000	Balance at 31 March 18 £'000
Cash held by the PCC	338	(1)	337
Bank Current Accounts	10,762	(1,642)	9,120
Short term deposits with financial institutions	40,351	(28,950)	11,401
	<b>51,451</b>	<b>(30,593)</b>	<b>20,858</b>

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

## JOINT OPERATIONS

### 47. CENTRAL MOTORWAY POLICE GROUP

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

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

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

The revenue account for the Unit covers all operating costs. The details for 2017-18 are as follows:

2016-17 £'000s		2017-18 £'000s
	<b>Funding provided to the pooled budget</b>	
(4,136)	Contribution from West Midlands Police	(4,247)
(1,739)	Contribution from West Mercia Police	(1,621)
(1,839)	Contribution from Staffordshire Police	(1,937)
<b>(7,714)</b>	<b>Total funding provided to the pooled Budget</b>	<b>(7,805)</b>
	<b>Expenditure met from the pooled budget</b>	
7,049	Pay and allowances	7,197
68	Premises costs	52
429	Transport costs	402
168	Supplies and Services	154
<b>7,714</b>	<b>Total expenditure</b>	<b>7,805</b>
	<b>Income received to the Pooled budget</b>	
0	Miscellaneous Income	0
(3)	External funding	(12)
<b>(3)</b>	<b>Total income received</b>	<b>(12)</b>
<b>7,711</b>	<b>Total Net Expenditure</b>	<b>7,793</b>
0	Net surplus/(deficit) arising during the year	75
0	West Midlands Police share of 50.7% of the net surplus/(deficit) arising during the year	38

The funding provided by the pooled budget is adjusted between the Forces to ensure the agreed percentage split is applied to the final expenditure less any surplus. In 2017-18 the final contribution paid by the PCCWM was £3.91m.

From April 2018, West Mercia has withdrawn from the collaboration. The funding in the future will be split between West Midlands (70%) and Staffordshire (30%).

### 48. WEST MIDLANDS REGIONAL ORGANISED CRIME UNIT

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

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

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

2016/17 £'000s		2017/18 £000's
	<b>Funding provided to WMROCU</b>	
(4,858)	Contribution from West Midlands Police	(11,787)
(1,426)	Contribution from West Mercia Police	(3,619)
(1,587)	Contribution from Staffordshire Police	(3,515)
(733)	Contribution from Warwickshire Police	(1,758)
(2,413)	WMROCU Grant	(2,399)
(358)	National Cyber Security Programme funding	(270)
(168)	Regional Asset Recovery Team grant	(155)
0	ROCU Reserves	(135)
0	Additional Home Office funding (grant provided in 2017-18)	(1,000)*
(11,543)	<b>Total funding</b>	(24,638)
	<b>WMROCU expenditure</b>	
997	Regional Asset Recovery Team (RART)	1,138
168	RART – ACE team	155
789	Regional Cyber Crime Unit	678
196	Regional Fraud Team	248
784	Regional Intelligence Unit (inc in Regional Confidential Unit)	0
879	Regional Prisons Intelligence Unit	999
893	UKPPS (protected Persons)	968
82	Project Management	0
0	Project Management (Phase 2)	0
76	Operational Security (OPSY)	18
49	Regional Government Agency Intelligence Network (GAIN)	34
948	Command Team	1,378
3,984	Regional Confidential Unit	4,903
741	TIDU – Technical Intelligence	813
0	Enabling Services	108
957	Other Regional Operations	12,198
0	Additional Contribution to Reserves	1,000
<b>11,543</b>	<b>Total expenditure</b>	<b>24,638</b>
<b>0</b>	<b>Total Net Expenditure</b>	<b>0</b>

\*The additional £1m Home Office grant was provided in March 2018 to be used in 2018-19. Therefore the grant has been shown as income in 2017-18 and then contributed to reserves. In 2018-19 the grant will be released to ROCU for the provision of services.

## 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.

2016-17 £'000	Police Pension Fund Account	2017-18 £'000	£'000
	<b>Fund Account</b>		
	Contributions receivable:		
	From employer:		
(49,784)	Normal	(48,813)	
(3,116)	Early retirements	(932)	
0	30+ contributions	0	
(52,900)		(49,745)	
(31,861)	From members	(31,247)	
(31,861)		(31,247)	
(584)	Transfers in	(281)	
(584)		(281)	
<b>(85,345)</b>	<b>Total income into the Pension Fund</b>		<b>(81,272)</b>
	Benefits payable:		
140,419	Pensions	146,502	
39,931	Lump sums	30,632	
250	Lump sum death benefits	110	
0	30+ benefits payable	0	
103	Benefits payable to other regional forces re earlier reorganisations	73	
180,703		177,317	
	Payments to and on account of leavers:		
47	Refunds of contributions	107	
316	Individual transfers out to other schemes	452	
6	Other	233	
369		792	
<b>181,072</b>	<b>Total payments from the pension fund</b>		<b>178,109</b>
<b>95,727</b>	<b>Net amount payable for the year</b>		<b>96,837</b>
(6,778)	2.9% employer contributions met by the Police and Crime Commissioner		(6,646)
(88,949)	Additional contribution received from the Home Office		(90,191)
<b>0</b>			<b>0</b>

## Net Assets Statement

Net current assets and liabilities	2016-17	2017-18
	£'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 39 of this Statement of Accounts.
2. The police pension fund is administered by the Chief Constable.
3. All benefits payable during 2017-18 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2018 are not included. These liabilities are recognised within the Comprehensive Income and Expenditure Statement and Note 26 of the Statement of Accounts demonstrates how this is done.
4. The police pension fund scheme is an unfunded defined benefit scheme. This means that there are no assets to the scheme and that all benefits payable are funded by contributions from employers and employees. Any difference that arises in the year between the benefits payable and the contributions received is met by a top up grant received from the Home Office.
5. Employee and employer contributions into the scheme are based on percentages of pensionable pay set nationally by the Home Office and subject to a triennial revaluation by the Government Actuaries Department. During 2017-18 the contribution rates were as follows :-

- Employers Contribution – 21.3% for the 1987, 2006 and 2015 Police pension schemes

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

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

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

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

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

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

## GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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