



# **Chief Constable of West Mercia Police**

## **Statement of Accounts**

### **2019/20**

# **THE CHIEF CONSTABLE OF WEST MERCIA POLICE**

## **STATEMENT OF ACCOUNTS 2019/20**

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## Narrative Report

### Message From Anthony Bangham, Chief Constable of West Mercia Police

“West Mercia Police continues to have a clear focus on achieving its vision to protect people from harm.

“Our values (**public first, ownership, courage and compassion**) are supported by a service and leadership ethos we have embedded across the organisation, demonstrating our commitment to being a strong, confident and compassionate organisation in our service delivery.

“This ethos is based around the themes of **simplicity, standards and service** and includes elements such as removing unnecessary complexity, listening to and empowering our workforce.

“Our values and leadership ethos underpin ‘how’ we provide the best possible service to our communities. In regards to what and where we should focus our efforts, we have developed our force priorities ‘**Safer People, Safer Homes and Safer Roads**’ based on demand, intelligence and community concerns across West Mercia.

“Over the last year (19/20) our proactive and reactive policing response has resulted in some excellent outcomes, meaning our communities can be reassured that we are prioritising and responding appropriately.

“In October 2018, the Police and Crime Commissioner, John Campion, and I made an important decision to withdraw from the strategic alliance with Warwickshire Police. In March 2020, the process to deliver this was successfully completed allowing us to deliver more effective and efficient services to our communities, ensuring the public get ‘better value for money’. This is a positive start to a new chapter for West Mercia Police, opening up opportunities for greater focus and clarity at a local level.

“Over the last two years, communities across West Mercia have benefited from the recruitment of an additional 215 police officers funded by the Police and Crime Commissioner. During 2019 and 2020 this will be supplemented by a further 93 officers bringing the force establishment to 2,238.

“The impact of all this investment, together with a clear directive as to the needs of the public, is already bearing fruit and I am pleased to see this reflected in our public confidence measures. We can look forward to building on these results in 2020/21 and delivering an excellent service to the communities we serve.”

**Anthony Bangham**

Narrative Report

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## Strategy & Structure

The PCC, in conjunction with the Chief Constable, developed his Police and Crime Plan, which sets the overarching objectives for the Force in light of the national Strategic Policing Requirement and local risk assessments. More than half-way through his term, the work and progress on initiatives in West Mercia is well-documented. However, the national threats remain and are identified as:

- Terrorism;
- Serious and organised crime;
- Cyber security;
- Threats to public order that cannot be tackled by one force alone;
- Civil emergencies requiring an aggregate response; and
- Child sexual abuse.

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

In discharging this overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of his office's 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. Separate PCC and force strategic risk registers are held and reviewed regularly to manage risk and mitigations are identified and taken where necessary. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes. The PCC is required to formally review the governance arrangements annually, the results of which are contained in the Annual Governance Statement (AGS).

The AGS, which is published alongside the Accounts and provides a detailed explanation of the PCC's governance framework, is designed to achieve the objectives set out in the Police and Crime Plan and manage risk. The Police and Crime Plan can be found on the PCC's website.

The Police and Crime Panel (PCP), composes of locally elected councillors and lay members, who hold the PCC to account through a process of scrutiny and review, which includes scrutinising the Police and Crime Plan and the budget and precept. The panel meets formally in open session throughout the year, to undertake their role. Whilst establishing openness in the conduct of police business the intention is that the PCP supports the PCC in the effective exercise of their functions. The role, responsibility and powers of the PCP can be found on the PCC's website.

As the Covid-19 outbreak occurred at the end of the 2019/20 Financial Year it has not had a significant impact on this reporting years results. However it is expected that in the next Financial Year from April 2020 to March 2021, due to the prolonged Covid-19 lockdown, there will be a measurable impact on the results.

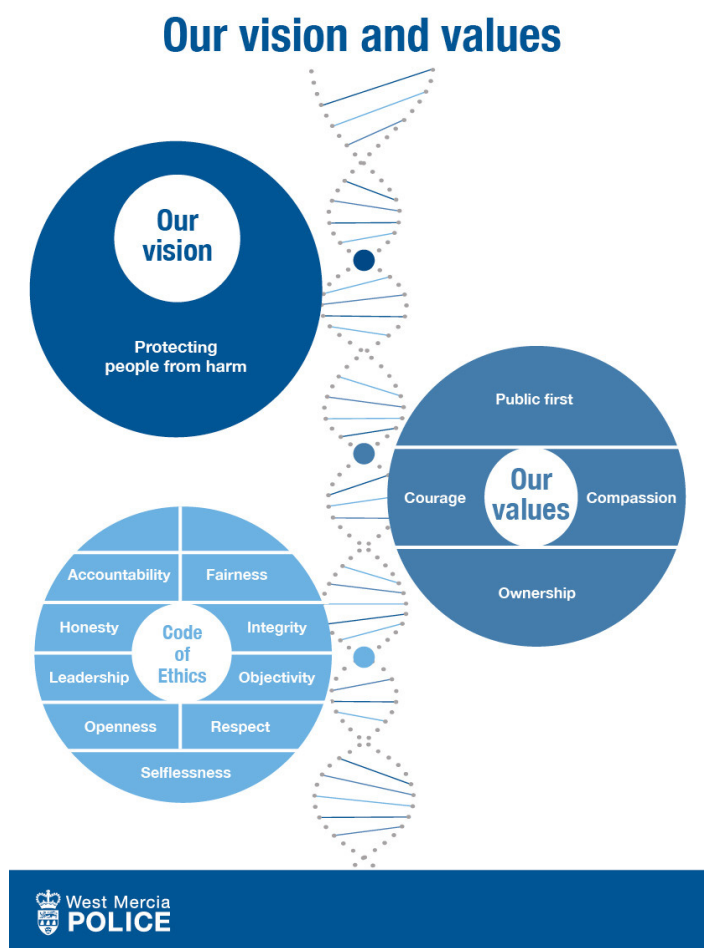
## Narrative Report

As a consequence of the lockdown it is anticipated that both reductions of income and increased costs of operations will occur and be subsequently reflected in the accounting statements.

Operationally speaking, even in the early part of 2020/21 when the Covid-19 outbreak was at its highest level, existing continuity plans and measures together with newly added measures and resources enabled both the West Mercia Force and the OPCC to carry out their Statutory Duties effectively and comprehensively throughout the period of lockdown.

The new vision, values and policing priorities for West Mercia are shown in diagram 1 below, which sets out how our values and code of ethics support our vision to protect people from harm.

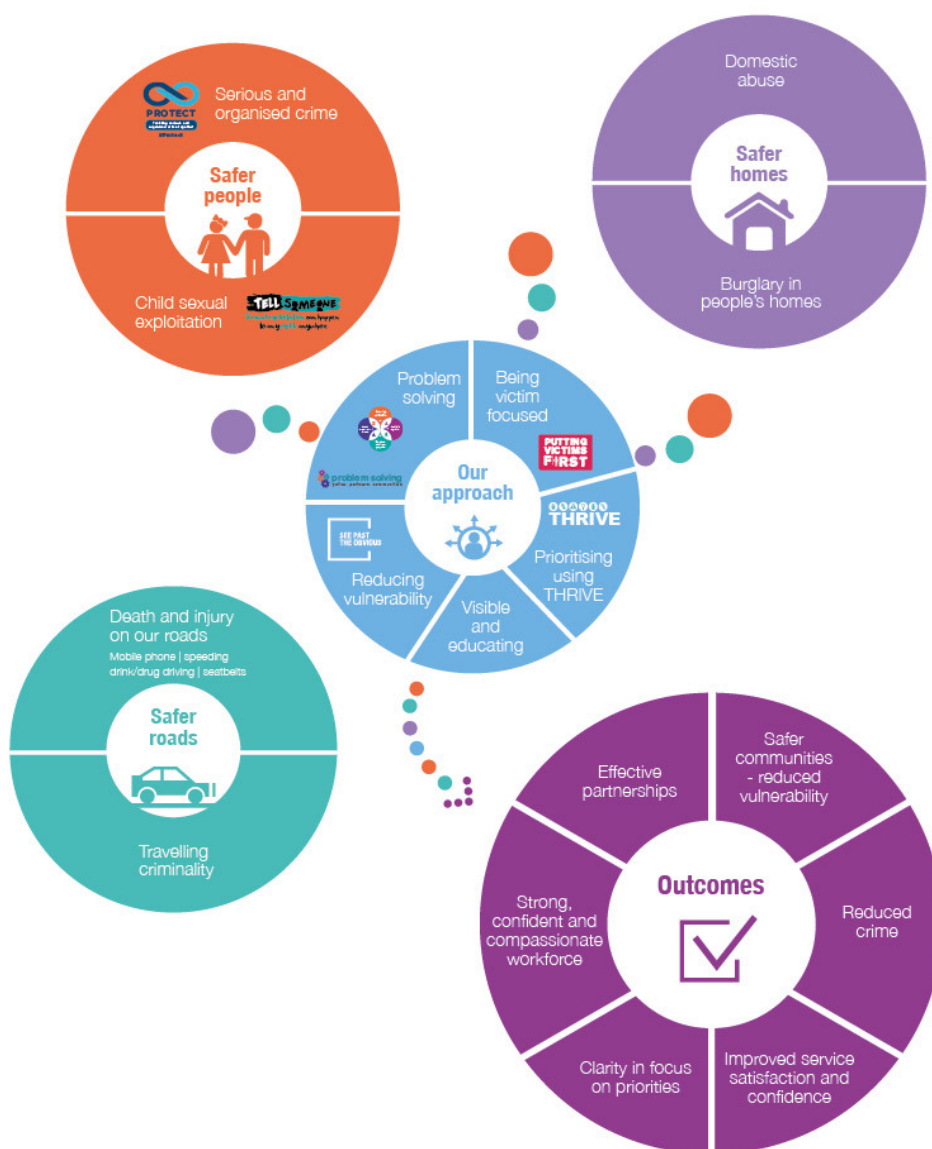
**Diagram 1.**



## Narrative Report

Diagram 2 shows the policing priorities that were re-set in January 2019 for West Mercia Police. This links in with the overall vision of protecting people from harm, and the approach that will be taken to deliver on that vision by ensuring people, homes and roads are safer and that better outcomes are achieved for the local communities within West Mercia. The policing priorities are set and led by a Chief Officer team across West Mercia and with shared resources in finance and enabling services.

# Our policing priorities



## Narrative Report

Following the termination of the Alliance, the governance arrangements for West Mercia Police have been reset, along with other specific arrangements put in place for those areas of service which are taking longer to transition to the new arrangements.

The continuing vision of West Mercia Police is to 'Protect People from Harm' where harm constitutes death, injury, loss and distress. To achieve the vision we rely on our workforce; police officers, police community support officers, police staff, special constables and volunteers. The PCC supports many of these initiatives through his grant scheme and extensive community engagement work, which includes working particularly closely with the local Community Safety Partnerships. Their main aims include:

- Establishing the levels of crime and disorder problems in local areas;
- Consulting widely with local residents to make sure that the partnerships' perception match that of local people; and
- Devising strategies containing measures to tackle priority problems.

The workforce is key to the delivery of effective policing, an analysis of which is shown at table 1. A Home Affairs Committee report highlighted the under representation of Black and Minority Ethnic (BME) people in police forces in England & Wales. The force seeks to take positive action to ensure that our force better represents the communities we police.

**Table 1. Workforce Analysis**

|                 | West Mercia  | BME %       | Female %     | Male %       |
|-----------------|--------------|-------------|--------------|--------------|
| Police Officers | 2,176        | 2.38        | 32.01        | 67.99        |
| PCSOs           | 229          | 2.62        | 51.97        | 48.03        |
| Police Staff    | 1,812        | 2.81        | 64.96        | 35.04        |
| <b>Total</b>    | <b>4,217</b> | <b>2.58</b> | <b>47.08</b> | <b>52.92</b> |

The PCC identifies, evaluates and controls key risks that if they happened could significantly impact on the ability of the PCC and Chief Constable to achieve the objectives set out in the Police and Crime Plan. As a result of the termination of the Alliance, the formerly joint PCC risk register has been separated out for each respective PCC to more accurately reflect the specific risks and mitigations for each. Some of the key risks are listed below. However, actions are put in place to mitigate these risks and various activities flow from these, both of which are monitored on a regular basis.

- Health and Wellbeing of our workforce – ongoing and consistent monitoring enables a better understanding of factors that affect health and wellbeing and the deployment of a consistent strategy to tackle the causes outlined;
- Financial implications – the delivery of the financial savings will continue to be challenging, particularly so given the uncertain political and economic climate.
- Information quality and data inputted into systems, being used for formulating decisions and must be legally compliant under the more recent GDPR changes;



## Narrative Report

- ICT capacity and capability - infrastructure and systems are being reviewed and updated to ensure that this critical resource and enabler can facilitate change across both forces in operational policing and other support functions.

### Financial Performance

The PCC is responsible for setting the annual budget within which the Chief Constable is expected to operate and against which financial performance is measured.

The Chief Constable's only source of income is through the intra-group transfer, where the PCC reimburses the Chief Constable for the cost of day to day policing up to the agreed budget. This is representative of the relationship between the PCC and the Chief Constable, which is underpinned by the governance arrangements.

The annual budget is funded mainly through government grants and the precept. The expenditure that can be charged against the budget is determined on a statutory basis.

By contrast the Accounts includes income and expenditure that are measured and reported in accordance with proper accounting practice and conventions as set out, chiefly, in The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

A reconciliation between the figures used to produce the outturn, explained in the following paragraphs and those contained in the Accounts is provided in Note 1. The following table analyses how the budget is funded.

**Table 2. Funding 2019/20**

| Where the Money Came From                      | Budget<br>£m   | Actual<br>£m   | %          |
|--|----------------|----------------|------------|
| Central Government Grant (Core Funding)        | 122.449        | 122.449        | 0.0        |
| Locally Raised Funding – Precept (Council Tax) | 96.442         | 96.442         | 0.0        |
| <b>Total Funding (excluding reserves)</b>      | <b>218.891</b> | <b>218.891</b> | <b>0.0</b> |

The PCC agreed a 2019/20 net revenue budget of £224.589m which includes the use of £5.698m of reserves resulting in a budget requirement of £218.891m.

The budget is funded by £122.449m of government funding and £96.442m comes from the council tax through the precept, which the PCC increased by 9.94% in 2019/20.

The following table shows the outturn position by comparing the revised budget to the actual for 2019/20, for West Mercia Police.

Narrative Report

Table 3 provides an analysis of the West Mercia Police budget.

**Table 3. The PCC and Chief Constable Outturn for year ended 31 March 2020**

| West Mercia Police                                | Budget<br>£m   | Budget<br>Adjustments<br>£m | Revised<br>Budget<br>£m | Actual<br>£m   | Variance<br>£m |
|---|----------------|-----------------------------|-------------------------|----------------|----------------|
| Police officers' pay                              | 112.237        | (0.068)                     | 112.169                 | 111.922        | 0.247          |
| Police officers' overtime                         | 2.762          | 0.620                       | 3.382                   | 4.542          | (1.160)        |
| Police staff pay                                  | 54.661         | 1.855                       | 56.516                  | 56.839         | (0.323)        |
| Police staff overtime                             | 0.659          | 0.000                       | 0.659                   | 0.858          | (0.199)        |
| PCSO pay  | 7.934          | 0.000                       | 7.934                   | 7.375          | 0.559          |
| Police pensions                                   | 3.606          | 0.000                       | 3.606                   | 3.308          | 0.298          |
| Other Employee Expenses                           | 1.004          | 0.000                       | 1.004                   | 2.567          | (1.563)        |
| Premises  | 7.933          | 0.015                       | 7.948                   | 8.410          | (0.462)        |
| Transport   | 4.150          | (0.009)                     | 4.141                   | 4.536          | (0.395)        |
| Supplies & Services                               | 24.801         | 1.175                       | 25.976                  | 25.549         | 0.427          |
| Third Party Payments                              | 10.259         | 0.117                       | 10.376                  | 10.239         | 0.137          |
| Capital Financing                                 | 2.443          | 0.000                       | 2.443                   | 2.511          | (0.068)        |
| <b>Expenditure</b>                                | <b>232.449</b> | <b>3.705</b>                | <b>236.154</b>          | <b>238.656</b> | <b>2.502</b>   |
| Income  | (14.080)       | (1.031)                     | (15.111)                | (16.008)       | 0.897          |
| <b>Net Force</b>                                  | <b>218.369</b> | <b>2.674</b>                | <b>221.043</b>          | <b>222.648</b> | <b>(1.605)</b> |
| Office of the PCC                                 | 1.793          | 0.167                       | 1.960                   | 1.960          | 0.000          |
| PCC – Youth Justice Service(YJS)                  | 0.000          | 0.216                       | 0.216                   | 0.216          | 0.000          |
| Victims & Commissioning                           | 0.615          | (0.269)                     | 0.346                   | 0.346          | 0.000          |
| PCC Grant Scheme                                  | 3.812          | (0.674)                     | 3.138                   | 3.138          | 0.000          |
| PCC – Business, Rural & Cyber Crime               | 0.000          | 0.000                       | 0.000                   | 0.000          | 0.000          |
| PCC Crime Reduction Fund                          | 0.000          | 0.000                       | 0.000                   | 0.000          | 0.000          |
| <b>Total PCC</b>                                  | <b>6.220</b>   | <b>(0.560)</b>              | <b>5.660</b>            | <b>5.660</b>   | <b>0.000</b>   |
| <b>Net Force</b>                                  | <b>224.589</b> | <b>2.114</b>                | <b>226.703</b>          | <b>228.308</b> | <b>1.605</b>   |
| <b>Total Use of Reserves</b>                      | <b>(5.698)</b> | <b>(2.114)</b>              | <b>(7.812)</b>          | <b>(9.417)</b> | <b>1.605</b>   |
| <b>Net Force Budget Including Use of Reserves</b> | <b>218.891</b> | <b>0.000</b>                | <b>218.891</b>          | <b>218.891</b> | <b>0.000</b>   |

Table 3 shows the actual West Mercia net expenditure in 2019/20 of £228.308m, which is £9.417m more than the core funding from Government grants and precept. The revised budgeted drawdown from reserves was £9.417m, so this represents an increase in the planned use of reserves of £2.114m at year end.

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The main causes of the variances to budget are as follows:

**Police Officer overtime – Overspend of £1.16m**

- Overtime has exceeded the budget due to the level of major operations and workloads in local policing.

**Police Staff Pay – Overspend of £0.323m**

- An over-spend was experienced in staff pay due to the pay award being 0.5% higher than budgeted. The impact of growth due to the Alliance separation, for example in areas such as Professional Standards where new teams were required, has been offset to a certain degree by the overall vacancy position.

**Police Staff Overtime – Overspend of £0.199m**

- The staff overtime figure should be considered alongside pay as overtime has been incurred covering vacancies and to maintain performance in areas such as the OCC.

**PCSO Pay – Underspend of £0.559m**

- Posts remained vacant in advance of the planned £0.492m reduction of posts in 2020/21.

**Employee Expenses (incl. police pensions) – Overspend £1.563m**

- Redundancy and actuarial strain together account for £0.827m of the overspend.
- Training is £0.526m overspent including £0.179m on Police Now. The payment to West Midlands Police for Cosford training was also higher than expected at £0.068m over budget due to increased premises costs recharged.
- Spend on mental health support also is increasing and was £0.098m higher than the budget, this follows a rising trend over recent years as more officers and staff are seeking support.
- There are two other smaller items of note being staff advertising and conferencing. Staff advertising is £0.044m over, being mainly the roles recruited for Business

Narrative Report

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Services using a new approach to attract quality candidates and also as a result of demand created by alliance separation.

**Premises – Overspend of £0.462m**

- The position regarding premises is largely driven by the delay to the property disposal programme in that a high level utility costs are still being incurred and reactive maintenance is required at properties outside of the planned schedule. This is offset somewhat by underspend in planned projects and Mechanical and Electrical works.

**Transport – Overspend £0.395m**

- The key pressure in this area once again was vehicle collision repairs, with a budget of £0.387m spend was £0.828m, leading to an overspend of £0.441m. This was partially offset by an increase in reimbursements from Third Party Insurers of £0.065m where liability had been established and claims settled. The rising cost of parts has been reflected in the 2020/21 budget.
- Offsetting the collision pressure was the West Mercia share of the Warwickshire Fleet maintenance contract with Warwickshire County Council, which achieved £0.158m saving.
- A further positive variance was seen in fuel due to pump prices reducing over the year by 10 pence per litre from when the budget was set in Autumn 2018. This led to a £0.050m underspend

**Supplies and Services – Underspend £0.427m**

- A high number of budgets with small underspends offset a few large budget pressure areas, expected overspend on recruitment was anticipated and the budget was increased in year to reflect increased officer recruitment costs.
- In recognition of increased in year budget pressures there was a strategic decision made to pull back on new Transformation initiatives. This approach has relieved the pressure of over spend due to the areas detailed below.
- The national uniform contract was £0.715m overspent, this was due to increased student numbers, higher than anticipated management fees due to the lack of take up by other forces and the learning curve around operating a points system for drawing down supplies.

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- Legal civil malfeasance costs and fees were high this year due to final conclusion of some high profile cases. Spend was £0.254m over budget, £0.143m of this sum was drawn down from the Insurance reserve which exists as a buffer for high value claims.

### **Third Party Payments - £0.137m underspend**

- Overspend on Employers' and Public Liability insurance of £0.213m and £0.115m on NPAS were offset by the planned underspend on Cost of Change initiatives.

### **Income - £0.897m over budget**

- The primary driver of the increased income was the West Mercia share of the vetting income received under the national contract, with £0.532m more income received than anticipated. This figure should not be viewed in isolation though as additional non budgeted staffing costs were incurred to reduce backlogs during the year.
- The only other large variances of note were an increase in course fees earned at £0.089m and special duty income of £0.076m. The balance is combined small variations.

In addition to the spending on day-to-day activities, the PCC incurs expenditure on buildings, information technology, vehicles and other major items of specialist equipment which have a long-term useful life. This type of spend is known as capital expenditure.

Assets are held on the PCC's Balance Sheet and the PCC exercises strategic control over assets to achieve objectives set out in the West Mercia Police and Crime Plan.

The capital programme, which contains projects that lead to the creation of new assets or the enhancement of existing assets, is the responsibility of the PCC, who in turn can draw on a range of options to finance capital expenditure, including borrowing, to meet the cost of the capital programme.

The Chief Constable is charged for the use of assets in day to day policing.

The PCC is also responsible for cash reserves, which are a key part of the Medium Term Financial Plan and used to fund the budget gap, other specific initiatives and part fund capital expenditure.

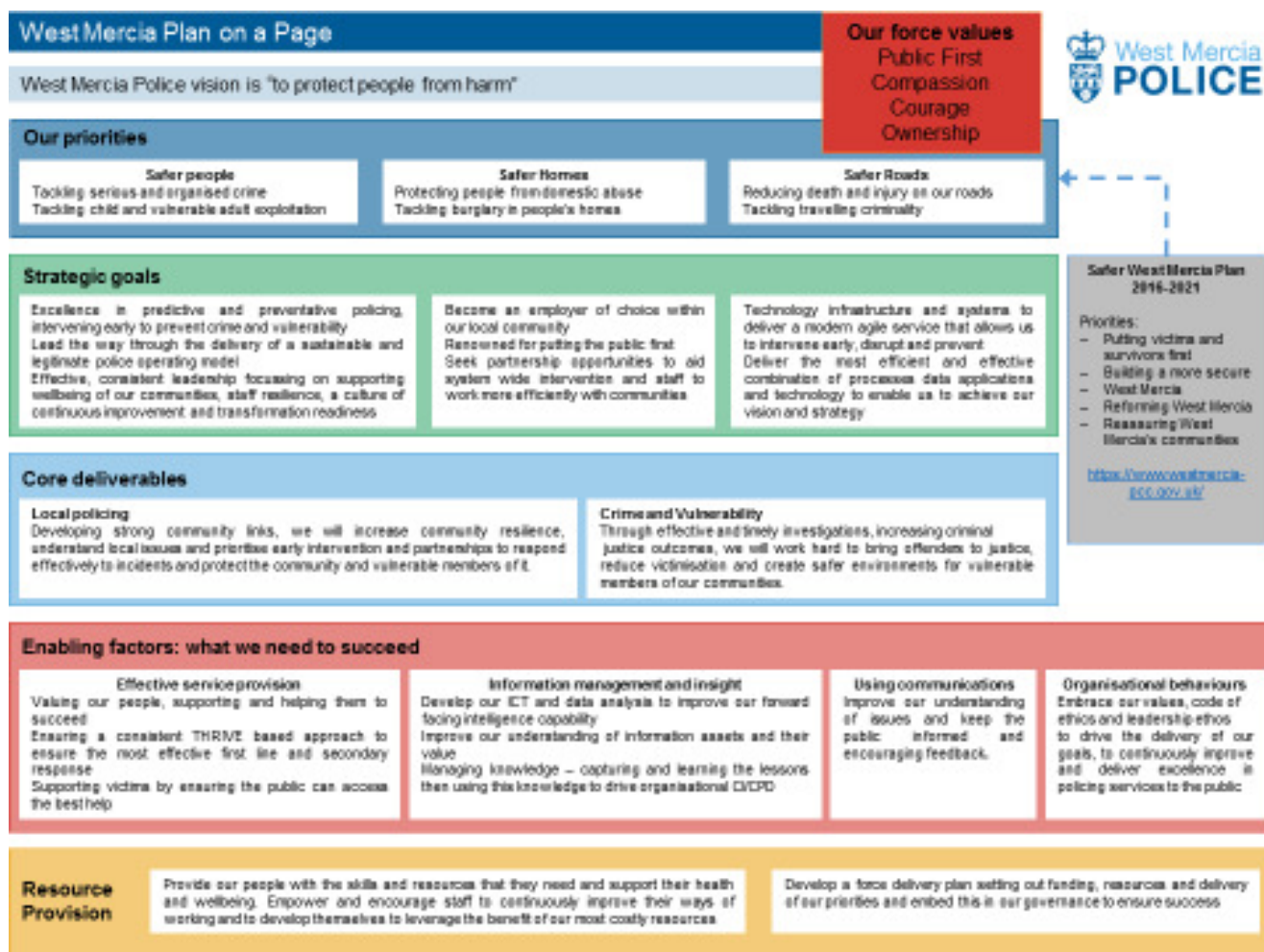
The capital outturn position, borrowing and reserves are explained in the narrative report section of the Group and PCC Accounts and the accompanying notes.

## Narrative Report

### Policing Performance

The West Mercia PCC has set the objectives for West Mercia Police, which are monitored under a Performance Framework as shown in diagram 3.

Diagram 3.



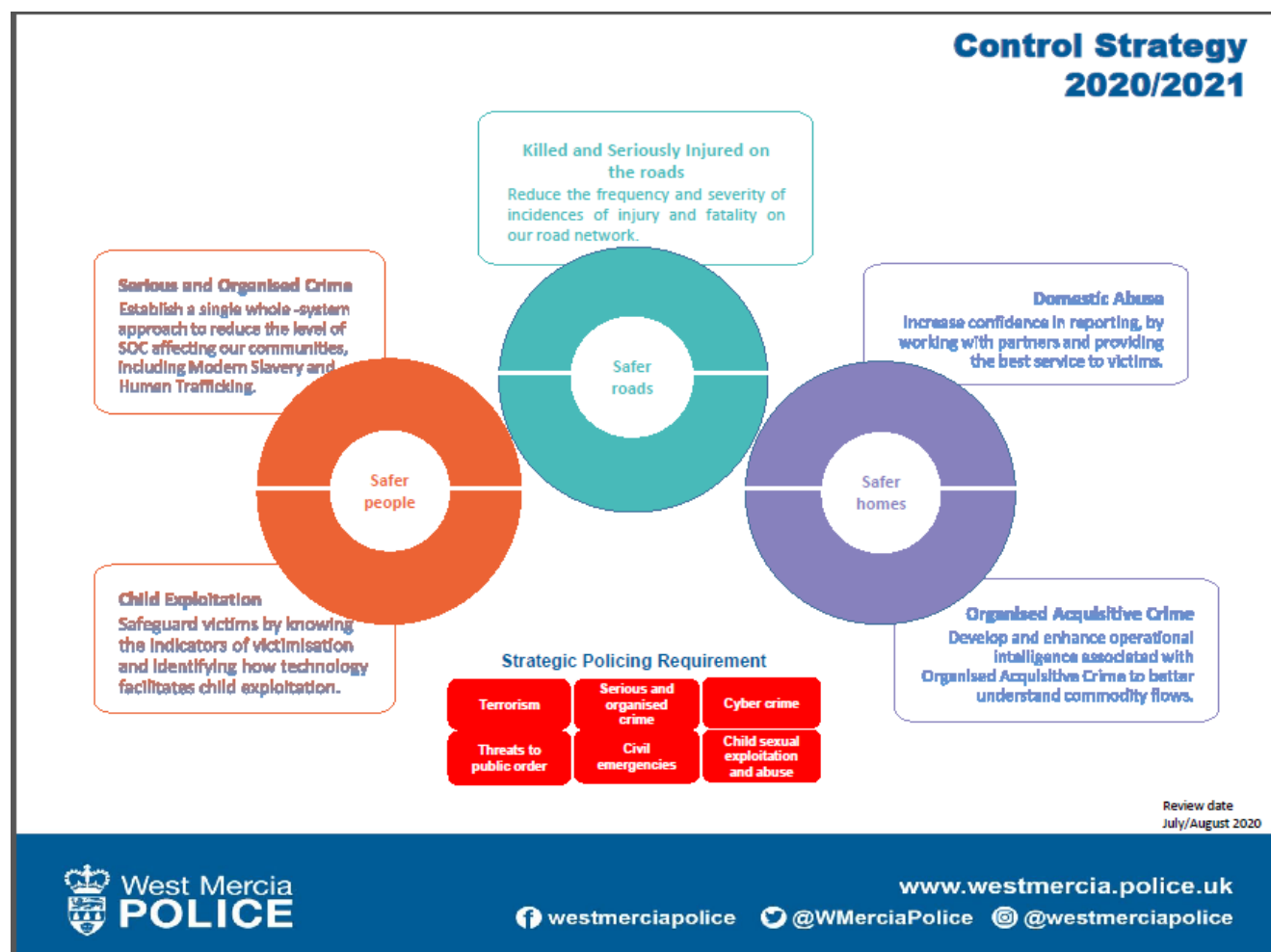
As an integral part of the performance framework day to day performance is monitored through the performance dashboard on the force intranet, which is updated daily across a range of crime areas. The information provided by the dashboard is used to take corrective action to address emerging issues and adverse trends.

Daily policing is directed by the Chief Constable, which is informed by the Police and Crime Plan and the Strategic Assessment. The latter is an assessment of the highest risks and harms at national and local level. The Control Strategy is set in response to the threats identified in the Strategic Assessment. It is a framework used by operational officers for decision making and allocating resources.

## Narrative Report

Diagram 4 shows the Control Strategy that is in place following the termination of the Alliance.

**Diagram 4.**



The West Mercia Board is focussing on a number of key themes based on the HSE stress management indicators – support, control, role, demand, relationships and change. The work is also aligned to the National Police Wellbeing Service, funded by the HO and overseen by the College of Policing.

The Chief Constable controls specific actions through various policies and procedures, the behaviours of the workforce and culture of the Force are shaped by our values and the national Code of Ethics. We acknowledge that we do not always get it right and that the actions of a few can let down the vast majority of hard working and dedicated people that work to protect people from harm. However, we seek to ensure that high standards of conduct are enforced, the Professional Standards Team seek to proactively address concerns that are raised with them and to ensure that we learn from our experiences. The PCC and his office also hold the Chief Constable to account and any arising issues may also be investigated and reported through these channels.



Narrative Report

Table 5 is a summary of our performance for 2019/20 against the various categories of crime. In 2019/20 total recorded crime increased by 1% compared to 2018/19. The increase follows a national trend and reflects a continued focus by all forces on the quality of crime recording, as well as specific activity to encourage victims of domestic abuse and sexual offences to come forward and report crimes to the police. In terms of safety on our roads 2019/20 saw a decrease in the number of fatalities, with 44 road deaths compared to 51 in 2018/19. As at 31 March 2020 user satisfaction stood at 80.2%, which is greater than 77.9% recorded at 31 March 2019.

**Table 5. Policing performance 2019/20**

|   | Volume | Compared to 4 Year Trend | Compared to 2018/19 |
|---|--------|--------------------------|---------------------|
| Violent Against the Person with Injury    | 11,124 | +7%                      | +10%                |
| Violent Against the Person without Injury | 23,217 | +18%                     | +12%                |
| Rape                                      | 1,218  | +2%                      | -6%                 |
| Other Sexual Offences                     | 2,162  | -1%                      | -4%                 |
| Personal Robbery                          | 593    | +11%                     | +7%                 |
| Business Robbery                          | 59     | -11%                     | -26%                |
| Domestic Burglary                         | 2,725  | -10%                     | -11%                |
| Burglary – Business & Community           | 3,860  | -16%                     | -13%                |
| Vehicle Offences                          | 5,283  | -7%                      | -9%                 |
| Bicycle Theft                             | 824    | -21%                     | -27%                |
| Theft from person                         | 730    | -4%                      | -13%                |
| Shoplifting                               | 7,613  | +3%                      | -2%                 |
| All other theft offences                  | 7,972  | -9%                      | -11%                |
| Criminal Damage and Arson                 | 9,590  | -5%                      | -6%                 |
| Other Crimes against Society              | 10,052 | +9%                      | +14%                |
| Total Recorded Crime                      | 87,032 | +3%                      | +1%                 |
| Anti-Social Behaviour                     | 38,859 | -11%                     | -11%                |

**Value for Money**

Both the PCC and Chief Constable have a duty to provide efficient and effective policing at an affordable cost. Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) provides an annual independent thematic inspection and assessment of the force's performance in terms of its effectiveness, efficiency and legitimacy. Assessments were conducted during 2019/20, and covered the 3 specific areas:

- Effectiveness – how effective are the force at keeping people safe and reducing crime;
- Efficiency - does the force provide value for money;
- Legitimacy – treating people with fairness and respect.

The results of the assessments have not yet been published for West Mercia, however full details of the previous HMICFRS inspection reports for West Mercia can be found at:- [www.justiceinspectorates.gov.uk/hmicfrs/peel-assessments/peel-2019/west-mercia/](http://www.justiceinspectorates.gov.uk/hmicfrs/peel-assessments/peel-2019/west-mercia/)

The 2018/19 assessment rated the force as follows:

- Effectiveness – Requires Improvement
- Efficiency – Requires Improvement
- Legitimacy – Requires Improvement



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The inspectors highlighted a number of key areas where the force needs to do more to better protect the public and provide a more effective service, however there was also recognition of the many aspects where the force has improved and of the hard work and dedication of the workforce. In the majority of cases the inspection reports identify a number of areas for improvement. In response, the force has developed an action plan to deliver the required improvements, achieved through core groups of senior officers, police staff, and with PCC representation which is overseen by chief officers.

To achieve the challenging savings targets, West Mercia has already implemented structural changes particularly across back-office functions and also implemented a new policing model in April 2018 to ensure greater levels of protection from harm, by more closely matching resources to demand for services. Further refinements to the policing model including the break out of local policing from the Alliance in April 2019 were commenced during 2018/19, bringing local policing under the direct control of West Mercia based command to bring further efficiencies and make the service more effective. Other main areas of transformation are across ICT with the need to update and deliver a modern, flexible and robust ICT infrastructure to support new and compliant information and communication technologies that will accommodate the new ways of working within West Mercia Police beyond October 2019. This will include the implementation of SAAB Safe in our new OCC which remains a priority, and the further development of Athena.

Throughout 2019/20, the Transformation Board, chaired by the Transformation Director and attended by Chief Officers, programme managers and representatives from across the force and PCC meet monthly to review progress and agree priorities and actions on the key transformation project areas. It oversees the delivery of appropriate outcomes to achieve strategic objectives and to monitor the benefits realisation. The realised benefits from the transformation programme in terms of efficiency and the generation of savings are being monitored as the work develops, as they form a significant proportion of the financial savings targets within the Medium Term Financial Plan and are critical to the future financial sustainability and efficiency of the force.

During 2019/20 West Mercia continued its joint operation with other public sector organisations in the region to collaborate on the provision of estates services through Place Partnership Limited (PPL). The PCC is responsible for setting the estates strategy for West Mercia Police, but this is managed on a daily basis by PPL, with the aim of providing economic and regeneration benefits. The PCC is committed to identifying options and opportunities for sharing, investing and updating the estate especially where it can deliver more effective policing and enhance the collaboration between emergency services. This will be part of a longer term strategy to ensure the force remains efficient and effective in protecting people from harm and in creating a safer West Mercia.

During 2019/20, the use of Athena, which is the main police collaboration ICT system has continued to embed across the Force, although this has proved challenging. The ICT challenges are significant and form part of the main transformation programme, these include the upgrade of infrastructure and existing systems, in addition to implementing new systems which should deliver operational and financial benefits in the medium term.

Our workforce is essential in delivering West Mercia's vision, and in recognition of this, and to address some of the issues raised in recent staff surveys, a West Mercia Health and Wellbeing Board has met. The West Mercia Board is focussing on a number of key themes based on the HSE stress management indicators – support, control, role, demand,

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relationships and change. The work is also aligned to the National Police Wellbeing Service, funded by the HO and overseen by the College of Policing.

### **The Medium Term Financial Plan**

Setting the budget and precept proposal is one of the key responsibilities of the West Mercia PCC under the Police Reform and Social Responsibility Act 2011 and one of the most important decisions that he has to make.

In setting the 2020/21 budget the PCC has regard to:

- National targets and objectives including the Strategic Policing Requirement;
- The priorities within the police and crime plan and any likely changes to these for 2020/21;
- The outcome of public consultation;
- The plans and policies of other partner agencies relating to community safety and crime reduction;
- The policy of the Government on public spending as set out by the chancellor, and more specifically in accordance with the final financial settlement for 2020/21, received in January 2020, which gave additional funding and increased precept flexibility in 2020/21;
- The medium term financial obligations;
- Prudent use of the financial reserves;
- The constant drive for continuous improvement and value for money; and
- The development of future collaborative arrangements and the risks involved.

The PCC agreed a 2020/21 net revenue budget of £235.805m which includes the use of £2.784m of reserves resulting in a budget requirement of £233.021m. The budget is funded by £130.718m of government funding, which has increased by £8.269m compared to 2019/20. The remaining funding, £102.303m, comes from the council tax through the precept, which was increased by 3.94% in 2020/21.

The PCC has driven reform within West Mercia. He has prioritised the best use of the funds available to him and focused on implementing efficiency programmes and productivity gains. It should be noted that during the period of the previous and current Comprehensive Spending Reviews, West Mercia has implemented efficiencies of £80m, in addition to a further savings target of £5.284m in 2020/21. During this period, the nature of crime and its consequential demands have changed significantly, and a series of unavoidable and increased inflationary pressures have also emerged, notably pay and price inflation.

In setting the 2020/21 budget, the PCC recognised the unavoidable pressures policing faces. These included pay and price increases at 2.5%, in addition to other general inflationary pressures, but with no additional central funding made available to finance the increased costs in the final settlement. Other unavoidable cost pressures have also arisen due to statutory changes and those from changes in legislation, including the Policing and Crime Act 2017 and the cost and financing of police pensions as a result of a recent revaluation exercise. These unavoidable spend pressures are significant and may prove even more challenging to address in future, given the further pressure of both changing and growing demand for police services.

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The final funding settlement received in January 2020 included increased flexibility for PCC's around precept setting of up to £10 on a band D property. Additionally, the central government grant was confirmed at a higher level than expected, in part to reflect the increased costs of police pensions, but also as part of the drive to recruit nationally another 20,000 police officers in the medium term.

The 2020/21 budget, the Medium Term Capital Programme and the Medium Term Financial Plan address the challenges whilst keeping council tax increases in West Mercia to a minimum. With the new flexibility, the police precept for West Mercia was increased by 3.94% in 2020/21 which is equivalent to £8.54 per band D property.

The PCC has set his vision to use the police estate to improve collaboration and drive efficiency. A programme of investment is in place to deliver a fit for purpose estate that fully supports modern operational and local policing. The Estates Strategy supported by the Estates Delivery Plan will detail the approach to this up to 2021 and beyond. This work will continue to generate both revenue savings and capital receipts within 2020/21. Given the PCC's priorities, the increasing pressures and the opportunities for reform, West Mercia faces a savings target of £9.858m in the medium term, whilst at the same time the PCC needs to ensure that policing arrangements continue to be fit for purpose. Policing therefore must continue to be both efficient and effective, address changes in demand and meet public expectations.

He therefore intends to:

### **Put Victims and Survivors First**

- *Continue to improve the Victims Advice Helpline, the new system to ensure faster and more effective access to support for victims of crime. This has already delivered a more seamless integration between the police and third sector partners.*
- *Implement a national pilot project with partners in Worcestershire to prevent domestic violence by educating offenders in April 2020 (the Drive Project)*
- *Expand Smartwater initiatives throughout West Mercia to prevent revictimisation and reassure communities.*
- *Undertake a review and redesign of Domestic Abuse and Sexual Violence Services*

### **Build a More Secure West Mercia**

- *Increase West Mercia's establishment officers to 2,238, to improve community visibility and responses to crime.*
- *Support the implementation of the new Emergency Services Network at a local level, while maintaining the existing Airwaves system as necessary*
- *Improve collaboration with public bodies through initiatives to share facilities, information and services*
- *Develop closer working relationships with the two Fire and Rescue Services in West Mercia to deliver more effective, efficient services to communities.*
- *Ensure full and continued implementation of West Mercia's new policing model*

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- *Work with partners to develop further specialist policing capabilities to ensure the best possible services to communities*
- *Work with local partners to improve prevention, diversionary and early intervention work to reduce demand and prevent harm.*

**Reform West Mercia**

- *Investing in the police estate, including new, fit-for-purpose sites in Hereford, Redditch and Shrewsbury delivered in partnership with other local agencies, as well as making necessary improvements to police headquarters*
- *Undertake 'One Place' reviews with local partners to encourage further shared use of facilities*
- *Undertake continuous review of the management of police estates, to ensure maximum efficiency*
- *Improve efficiency and services to the community through the implementation of new ICT systems such as SAAB Safe and telephony systems. Invest in a modern ICT infrastructure and network to enable further efficiencies in the force*
- *Implement the recommendation of the Services to Policing Review, to ensure frontline officers and staff get the support they need, when they need it*
- *Implement new arrangements for policing and support services which put the residents of West Mercia first following the withdrawal of West Mercia from the existing strategic alliance arrangement with Warwickshire*

**Reassure West Mercia's Communities**

- *Continue to support community projects to raise awareness in schools and protect children against cybercrime and C.S.E*
- *Deliver improvement in road safety, including new campaigns with partners and a further £840,000 investments in new community initiatives in 2020/21.*
- *Maintain new, effective mechanisms to measure public confidence in policing at a local policing area level.*

Narrative Report**Environmental Scanning**

A review of challenges the force and wider public services are likely to face over the next five years has been undertaken. The force will remain mindful of these in setting its strategy to ensure it is able to provide effective policing services in the medium term. The detail is shown below and the challenges have been prioritised, in terms of the impact and uncertainty:

| <b>Social Challenges</b>   |  | <b>Impact</b> | <b>Uncertainty</b> |
|----------------------------|--|---------------|--------------------|
| 1                          | Increasing demand for high-tech investigative capacity and capability in an increasingly connected society   | High          | Low                |
| 2                          | Increasing demand from reducing social, personal and financial means, including support to the most vulnerable members of society  | High          | Low                |
| 3                          | Increasing demand to meet expectations for greater automation and public access through fit for purpose ICT solutions  | High          | High               |
| <b>Partner Challenges</b>  |  |               |                    |
| 4                          | Increasing demand on policing as a first resort as funding cuts deepen across partners   | High          | Medium             |
| 5                          | Increasing demand to exploit opportunities to share assets and provide single operating models with partners (blue light and public sector)  | High          | Medium             |
| 6                          | Increasing demand from changes in partners' working practices and strategies   | High          | Medium             |
| <b>Policing Challenges</b> |  |               |                    |
| 7                          | Increasing demand from increasing and more sophisticated crime and disorder  | High          | Low                |
| 8                          | Increasing demand to collect, manage and exploit often extensive volumes of data for both business and crime management purposes in ways that are legal, legitimate and proven to work | High          | High               |
| 9                          | Increasing demand to respond to societal and cultural change to review and transform our business to continue to protect people from harm.   | High          | High               |

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### **UK vote to leave the European Union (non-adjusting event)**

The UK left the EU on 31<sup>st</sup> January 2020 entering a transition period that is planned to end on 31<sup>st</sup> December 2020. This decision may have an impact on our future accounting assumptions and estimates and we will keep up to date with the situation as it unfolds and as information is available to ensure that this is considered in future years. Areas that may be affected are:

- Future levels of Government support / funding;
- The potential for an economic downturn / recession and impact on service provision / finances;
- Impact on interest rates and investment income;
- Potential impact on property valuations and the Pension Funds.

### **The Statement of Accounts**

It is the purpose of the statement of accounts (the Accounts), consisting of the financial statements and notes to the accounts, to demonstrate that the Group, consisting of the PCC and the Chief Constable has accounted for public money properly and been economical, efficient and effective in the use of that public money. To better understand the financial statements it is important to understand the arrangements that govern the PCC and Chief Constable and the relationship between them.

The treatment of transactions (income and expenditure) and balances (assets, liabilities and reserves) in the PCC's and Chief Constable's Accounts under the Group arrangement is explained in Note 3, 'Critical Judgements in Applying Accounting Policies'. The PCC and Chief Constable are classified as a group arrangement under accounting standards, the Chief Constable being a subsidiary of the PCC. The specific accounting treatment takes into account the substance of the arrangements for governing the two entities and recognises the formal stage 2 transfer of responsibilities from the PCC to the Chief Constable that took place on 1 April 2014

A summary of these arrangements was set out earlier in this report. The Accounts reflect current legislation and local operating arrangements, where legislation takes precedent over the Code or where the Group position differs from that of the PCC this is explained in the Accounts and the notes. The following is an explanation of the contents of the Accounts and the main financial statements, their purpose and relationship between them.

They comprise:

- The **Statement of Accounting Policies**, which sets out the accounting policies adopted by the Chief Constable and explains the basis on which the financial transactions are presented;
- The **Statement of Responsibilities** for the Accounts, which sets out the responsibilities of both the Chief Constable and the responsible Chief Finance Officer for the preparation of the Accounts;



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- **Auditor's Report** gives the auditor's opinion of the financial statements and of the Group's arrangements for securing economy, efficiency and effectiveness in the use of resources;
- The **Comprehensive Income & Expenditure Statement (CIES)** is a summary of the income and expenditure received and used to provide services during the year and shows how the PCC has funded the cost of net expenditure incurred at the request of the Chief Constable by an intra-group transfer. The surplus or deficit on the provision of services line flows into the MIRS to be transferred into the balance sheet as explained below;
- The **Movement in Reserves Statement (MIRS)** shows the movement in the year on the different reserves held by the Chief Constable. A further analysis and explanation of the purpose for which these unusable reserves are held can be found at Note 9. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the CIES. This is different to the statutory amounts that can be charged against the police fund and taxation, whereas the Net increase before transfers to earmarked reserves is the sum after adjustment for the entries required to comply with accounting standards, Note 8 provides detailed analysis of the adjustments contained in the MIRS;
- The **Balance Sheet**, which shows the value as at the 31 March 2020 of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by the usable and unusable reserves, which hold the transfers from the CIES, which have moved through the MIRS;
- The **Cash Flow Statement**, which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes;
- **Notes to the Accounts**, these comprise a detailed analysis of the summarised financial information in the Core Financial Statements, including the new Expenditure and Funding Analysis (Note 1);
- **Police Officer Pension Fund Account** - This identifies the payments in and out of the Police Officers Pension Fund Account for the year;
- The **Annual Governance Statement** – This section describes how the Chief Constable conducts business in accordance with proper standards and presents the findings from the annual review of the effectiveness of systems of internal control. The Annual Governance Statement does not form part of the Accounts but is included here for reporting purposes.

The Chief Constable's Accounts should be read alongside the Group and PCC Accounts, which can be found as follows:

<https://www.westmercia.police.uk/article/2065/What-we-spend-and-how-we-spend-it>

The following figures reported in the Accounts are of note:

The CIES shows a deficit on the provision of services of £99.8m. The deficit is arrived at after accounting for costs and income in line with the Chief Constable's accounting policies and

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recognised accounting conventions, which is different to the statutory basis used to identify the net expenditure to be funded from local taxation in the form of the Council Tax. For example, proper accounting practice requires the full cost of future pension liabilities to be recognised in the Accounts and is a significant part of the deficit on the Chief Constable's CIES.

The financial standing of the Chief Constable needs to be viewed from the perspective of the movement in the Police Fund, as set out in the MIRS, which reconciles the CIES to the statutory basis for determining taxation.

### **Pensions Liabilities**

In accordance with International Accounting Standard (IAS) 19, the cost of employment and post-employment liabilities is shown in the Chief Constable's Accounts. The Chief Constable maintains a negative pensions reserve to match the estimated liability in relation to Police Officers, Police Staff and Police Community Support Officers' retirement benefits, which at the 31 March 2020 is £2,622.2m. However, in considering the impact that this has on the financial position of the PCC it must be remembered that:

- Police Staff and Police Community Support Officers are entitled to join the Local Government Pension Scheme (LGPS), which is a funded scheme. The liability will be funded by future planned increases in both the employee and employer contributions.
- The Police Pension Scheme, under the current arrangements, is funded partly by police officer and employer contributions. If there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year the Home Office will fund the deficit.
- The Police Pension Scheme and LGPS have been subject to reform and as from 1 April 2015 the former became a career average (CARE) scheme; the LGPS became a CARE scheme on 1 April 2014. Therefore the future benefit structures, as well as the level of contributions, will change.

Further information about the IAS 19 liability can be found under Note 20, and information about the Police Pensions Fund Account can be found on page 65.



## **Statement of Accounting Policies**

### **i. General Principles**

The Statement of Accounts summarises the Chief Constable's transactions for the 2019/20 financial year and its position at the year-end. The accounting policies are the specific principles, bases, conventions, rules and practices applied by the Chief Constable when preparing and presenting the financial statements. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The principal accounting policies have been applied consistently throughout the year.

### **ii. Changes in Accounting Policies**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions in the Chief Constable's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. No changes have been made to the Chief Constable's accounting policies in 2019/20.

### **iii. Income and Cost Recognition and Intra-group Adjustment**

The PCC is responsible for the Police Fund into which all income is received including the main funding streams of Police Grant, Revenue Support Grant and Council Tax as well as income from charges and from which all costs are met. The Police Fund is held in a single bank account: the Chief Constable does not have a separate bank account into which money can be received or from which payments can be made.

The Chief Constable's Accounts show the cost of undertaking day to day operational policing under the direction and control of the Chief Constable. Expenditure shown in the CIES include the salaries of police officers, PCSOs and police staff as well as the cost of purchases. In addition, a charge is shown for the Chief Constable's use of assets, which are strategically controlled by the PCC. The capital charge is equal to depreciation of property, plant and equipment and amortisation of intangible assets plus any charge for impairment through obsolescence or physical damage. To fund the operational expenditure the Chief Constable's Accounts show income by way of funding or financial guarantee provided by the PCC to the Chief Constable. This treatment forms the basis of the intra-group adjustment between the Accounts of the PCC and the Chief Constable. However, because the Chief Constable does not have a bank account there is no actual transfer of cash between the PCC and the Chief Constable.

The cost of post employment benefits accrued by serving and ex-police officers and police staff and the cost of accrued absences is also shown in the Chief Constable's Accounts.

Statement of Accounting Policies

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**iv. 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:

- 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 police officers, police staff and PCSOs) are recorded as expenditure when the services are received rather than when payments are made;
- Manual accruals of expenditure are not made where the value of the item is less than £1,000.

Notional transactions between the PCC and the Chief Constable are assumed to be settled immediately. The effect is to minimise the debtors within the Chief Constable's Balance Sheet. Where revenue and expenditure has been recognised but cash has not been paid a creditor for the relevant amount is recorded in the Balance Sheet. However, the PCC has not given consent to the Chief Constable to enter into contracts; therefore creditors for purchases are not shown in the Chief Constable's Accounts. However, accruals for police officers, PCSOs and police staff under the control of the Chief Constable are reflected in the Chief Constable's Accounts.

**v. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

However, the Chief Constable does not have his own bank account, therefore the cash figure is a notional figure derived from the PCC's cash and cash equivalents to balance with corresponding items held on the Balance Sheet.

**vi. Charges to Revenue for Non-Current Assets**

Services under the direction and control of the Chief Constable are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible non-current assets attributable to the service.

## **vii. Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, rest days, toil, paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable at the start of the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The accumulated cost is carried to the Chief Constable's Balance Sheet where it is held as a liability and is matched by an unusable reserve.

### **Termination Benefits**

This policy only applies to members of police staff, including PCSOs.

Termination benefits are amounts payable to employees as a result of a decision by the Chief Constable to terminate their employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Cost of Services in the CIES at the earlier of when the employer can no longer withdraw the offer of those benefits or when the employer recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Police Fund Balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

### **Post-Employment Benefits**

Police officers and police staff, including PCSOs have the option of belonging to one of two separate pension schemes relevant to them:

- Police Pension Scheme (PPS) for Police Officers.
- Local Government Pensions Scheme (LGPS) for Police Staff administered by Worcestershire County Council.

Both schemes provide index-linked defined benefits to members (retirement lump sums and pensions) earned as employees work for the Chief Constable and determined by the individuals' pensionable pay and pensionable service.

The LGPS and the PPS are accounted for as defined benefits schemes as follows:

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- the liabilities of the pension fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of anticipated earnings for current employees.
- International Accounting Standard (IAS) 19 requires the nominal discount rate to be set by reference to market yields on high quality corporate bonds or where there is no deep market in such bonds then by reference to government bonds.
- the PPS liabilities are discounted using the nominal discount rate based on government bond yield of appropriate duration plus an additional margin and the LGPS liabilities are discounted to their value at current prices, using a discount rate based on corporate bond yields at 31 March 2020.
- the discount rates used by the actuaries and other principal assumptions are set out in Note 20.
- the assets of the LGPS fund attributable to the Chief Constable are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

The change in the net pensions liability is analysed into the following components:

- **Current service cost** – the increase in liabilities as a result of years of service earned in the current year – allocated in the CIES to the services for which the employees worked.
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.
- **Net interest on the net defined benefit liability** i.e. net interest expense for the Group – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the end of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Re-measurements comprising:**
  - **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Statement of Accounting Policies

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- **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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Police Fund Balance to be charged with the amount payable by the Chief Constable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS 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 pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Police Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

A difference between the two schemes is that the PPS is an unfunded, defined benefit, final salary scheme, whereas the LGPS is a funded, defined benefit scheme and, with effect from 1 April 2014, became a career average (CARE) rather than final salary scheme. As the PPS is unfunded there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. This is further explained in the notes to the Police Pension Fund Account on page 64.

It should be noted that the Chief Constable has not exercised powers to make discretionary awards of retirement benefits in the event of early retirements. The approach set out in the joint Government Actuary's Department (GAD)-CIPFA paper "Assessment of Pension Liabilities Disclosures" as realised in the GAD model has been followed in order to satisfy the disclosure requirements of the Code.

The Chief Constable has powers to make awards to Police Officers who have ceased to be members of the police force and are permanently disabled as a result of an injury received without his/her own default in the execution of his/her duty. These payments are made in accordance with the Police (Injury Benefit) Regulations 2006.

#### **viii. Inventories and Long-Term Contracts**

Inventories are required to be included in the Balance Sheet at the lower of cost or current replacement value. Inventories are valued at actual cost price.

#### **ix. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the PCC and / or Chief Constable in conjunction with other ventures or organisations that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity.

The Alliance with Warwickshire Police was a jointly controlled operation. The Alliance was primarily a joint venture for operational purposes where each party drew on the pooled

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resources to deliver services. Assets created or developed as an integral part of the Alliance were also shared.

A full explanation of the treatment of transactions and balances under the Alliance has been explained fully in Note 10 to the Accounts 'Pooled Budgets and Joint Operations'.

**x. Leases**

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis from the commencement of the lease term over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the inception of the lease).

**xi. Segmental Analysis**

Income and Expenditure is reported in the CIES on the basis of the Chief Constable's organisational structure. This requirement arose from CIPFA's "Telling the Story" review that revised the presentation of Public Sector financial statements so that the CIES reflects the way that organisation's operate and manage services. The Chief Constable monitors and manages its financial performance on the basis of a single segment, Policing Services, to reflect this distinct service area. The costs of overheads and support services are charged to the segment on the same basis as they are reported in the financial performance reports. That is, the costs fall in the segment that is responsible for the support service and that directly monitors and manages that service.

The Expenditure and Funding Analysis (EFA) emanated from the Telling the Story review and brings together local authority performance reported on the basis of expenditure measured under proper accounting practices (including depreciation and the value of pension benefits earned by the employees) with statutorily defined charges to the Police Fund. The EFA reconciles the net expenditure chargeable to council tax to the CIES, analysed by service segment and thereby provides a direct link between the CIES and the budget ie the Police Fund.

**xii. Prior Year Adjustments**

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes are applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. A prior year adjustment is required to demonstrate the impact on the CIES of the changes emanating from the CIPFA Telling the Story review, replacing the SeRCOP analysis with a segmental analysis.

**xiii. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are made where an event has taken place that gives the Chief Constable 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 amount of the obligation. For instance, the Chief Constable may be involved in a court case that could eventually result in the making of a settlement of the payment of compensation.



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Provisions are charged as an expense to the Cost of Services in the CIES in the year that the Group becomes aware of the obligation, and are measured at the best estimate as at the balance sheet date of the 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. Estimated settlements are reviewed at the end of each financial year and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made); the provision is reversed and credited back to the Cost of Services.

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 reimbursement will be received if the Chief Constable settles the obligation.

A contingent liability or a contingent asset arises where an event has taken place that gives the Chief Constable a possible obligation or asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Chief Constable. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in Note 18 to the Accounts.

#### **xiv. Reserves**

The Chief Constable does not hold any usable reserves as all such reserves are retained by the PCC.

Unusable reserves are held by the Chief Constable to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the Chief Constable. These reserves are explained in the relevant disclosure notes to the accounts.

#### **xv. Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **Statement of Responsibilities**

### **Responsibilities of the Chief Constable of West Mercia Police**

The Chief Constable is required to:

- make arrangements for the proper administration of the Chief Constable's financial affairs and to ensure that one of his officers has the responsibility for the administration of those affairs. In this organisation that officer is the Head of Commercial Services;
- manage the Chief Constable's affairs to secure economic, efficient and effective use of resources and safeguard the Chief Constable's assets;
- approve the Statement of Accounts.

I accept the above responsibilities and approve these Statement of Accounts for 2019/20.

**Anthony Bangham**

**The Chief Constable of West Mercia Police**

**Date:**

### **Responsibilities of the Head of Commercial Services**

The Head of Commercial Services is responsible for the preparation of the Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20(the Code).

In preparing this Statement of Accounts, the Head of Commercial Services has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Head of Commercial Services has also:

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

**The Statement of Accounts for the Chief Constable of West Mercia Police is duly authorised for issue on xx xxxxxx 2020 by authority of the Head of Commercial Services.**

I certify that the Statement of Accounts represents a true and fair view of the financial position of the Chief Constable of West Mercia Police at the accounting date and of the income and expenditure for the year ended 31 March 2020.

**Richard Muirhead**

**Head of Commercial Services**

**Date:**



Independent Auditor's Report

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**Independent auditor's report to the Chief Constable for West Mercia  
Report on the Audit of the Financial Statements**

*To be added following completion of the Audit*

Independent Auditor's Report

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*To be added following completion of the Audit*

Independent Auditor's Report

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*To be added following completion of the Audit*

## Comprehensive Income and Expenditure Statement (CIES)

This Statement recognises the financial resources belonging to the PCC consumed at the request of the Chief Constable in exercising day to day direction and control of the police force for the financial year, presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The CIES includes the intra-group transfer, whereby the PCC provides resources to meet the cost of day to day policing provided by the Chief Constable. The presentation of the intra-group transfer has been revised from last year's Accounts and is now part of the Net Cost of Policing Services; Total Comprehensive Income and Expenditure remains unchanged.

| 2018/19<br>Gross<br>Expenditure<br>£000 | 2018/19<br>Gross<br>Income<br>£000 | 2018/19<br>Net<br>Expenditure<br>£000 |   | Notes    | 2019/20<br>Gross<br>Expenditure<br>£000 | 2019/20<br>Gross<br>Income<br>£000 | 2019/20<br>Net<br>Expenditure<br>£000 |
|---|------------------------------------|---------------------------------------|---|----------|---|------------------------------------|---------------------------------------|
| 352,267                                 | 0                                  | 352,267                               | Policing Services   |          | 274,933                                 | 0                                  | 274,933                               |
| <b>352,267</b>                          | <b>0</b>                           | <b>352,267</b>                        | <b>Cost of Policing Services</b>  | <b>1</b> | <b>274,933</b>                          | <b>0</b>                           | <b>274,933</b>                        |
| (222,763)                               | 0                                  | (222,763)                             | PCC's Funding for Resources Consumed  | 9        | (243,601)                               | 0                                  | (243,601)                             |
| <b>129,504</b>                          | <b>0</b>                           | <b>129,504</b>                        | <b>Net Cost of Policing Services</b>  |          | <b>31,332</b>                           | <b>0</b>                           | <b>31,332</b>                         |
|   |                                    | 70,612                                | Financing and investment net expenditure ( <i>Note 20</i> )                   |          |   |                                    | 73,995                                |
|   |                                    | (39,326)                              | Home Office Grant Towards the Cost of Retirement                              |          |   |                                    | (31,075)                              |
|   |                                    | <b>160,790</b>                        | <b>Deficit on Provision of Services</b>                                       |          |   |                                    | <b>74,252</b>                         |
|   |                                    | 63,653                                | Re-measurement of the net defined benefit liability ( <i>Notes 5 and 20</i> ) |          |   |                                    | (208,346)                             |
|   |                                    | <b>63,653</b>                         | <b>Other Comprehensive Income &amp; Expenditure</b>                           |          |   |                                    | <b>(208,346)</b>                      |
|   |                                    | <b>224,443</b>                        | <b>Total Comprehensive Income &amp; Expenditure</b>                           |          |   |                                    | <b>(134,094)</b>                      |

## Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the Chief Constable, analysed into Usable Reserves (ie 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 Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different to the statutory amounts 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 are undertaken by the Chief Constable.

|  | Notes | Police Fund Balance | Unusable Reserves | Total Chief Constable Reserves |
|--|-------|---------------------|-------------------|--------------------------------|
|  |       | £000                | £000              | £000                           |
| <b>Opening Balance at 1 April 2018</b>                                   |       | 0                   | (2,510,325)       | (2,510,325)                    |
| <b>Movement in reserves during 2018/19</b>                               |       |                     |                   |                                |
| <b>Total Comprehensive Income and Expenditure</b>                        | 20    | (160,790)           | (63,653)          | (224,443)                      |
| Adjustments between accounting basis and funding basis under regulations | 7     | 160,790             | (160,790)         | 0                              |
| <b>Net Increase before transfers to Earmarked Reserves</b>               |       | 0                   | (224,443)         | (224,443)                      |
| Transfers to/from Earmarked Reserves                                     |       | 0                   | 0                 | 0                              |
| <b>Increase/(Decrease) in Year</b>                                       |       | 0                   | (224,443)         | (224,443)                      |
| <b>Balance at 31 March 2019 Carried Forward</b>                          |       | 0                   | (2,734,768)       | (2,734,768)                    |
| <b>Movement in reserves during 2019/20</b>                               |       |                     |                   |                                |
| <b>Total Comprehensive Income and Expenditure</b>                        | 20    | (74,252)            | 208,346           | 134,094                        |
| Adjustments between accounting basis and funding basis under regulations | 7     | 74,252              | (74,252)          | 0                              |
| <b>Net Increase before transfers to Earmarked Reserves</b>               |       | 0                   | 134,094           | 134,094                        |
| Transfers to/from Earmarked Reserves                                     |       | 0                   | 0                 | 0                              |
| <b>Increase/(Decrease) in Year</b>                                       |       | 0                   | 134,094           | 134,094                        |
| <b>Balance at 31 March 2020 Carried Forward</b>                          |       | 0                   | (2,600,674)       | (2,600,674)                    |

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The Chief Constable holds employment liabilities, which is associated with the Chief Constable's day-to-day direction and control of police officers and police staff, the costs of which are shown in the CIES. The net liabilities are matched by an unusable reserve held at the bottom of the balance sheet.

| 31 March 2019      |   | Notes | 31 March 2020      |
|--------------------|---|-------|--------------------|
| £000               |   |       | £000               |
| 0                  | <b>Long Term Assets</b>                               |       | 0                  |
| 14,686             | Short Term Debtors and other current assets           | 15    | 11,167             |
| 0                  | Intra-Group Debtor                                    | 9     | 0                  |
| <b>14,686</b>      | <b>Current Assets</b>                                 |       | <b>11,167</b>      |
| (5,873)            | Short Term Creditors                                  | 16    | (14,494)           |
| 0                  | Provisions  | 17    | (432)              |
| (12,577)           | Intra-Group Creditor                                  | 9     | (781)              |
| <b>(18,450)</b>    | <b>Current Liabilities</b>                            |       | <b>(15,707)</b>    |
| (2,731,004)        | Liability Relating to Defined Benefit Pension Schemes | 20    | (2,596,134)        |
| <b>(2,731,004)</b> | <b>Long Term Liabilities</b>                          |       | <b>(2,596,134)</b> |
| <b>(2,734,768)</b> | <b>Net Liabilities</b>                                |       | <b>(2,600,674)</b> |
|                    |   |       |                    |
| (2,734,768)        | Unusable Reserves                                     | 9     | (2,600,674)        |
| <b>(2,734,768)</b> | <b>Total Reserves</b>                                 |       | <b>(2,600,674)</b> |

The unaudited Statement of Accounts were issued on 11<sup>th</sup> August 2020 and these audited Statement of Accounts were authorised for issue on xx xxxxx 2020.

Head of Commercial Services of West Mercia Police

## Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. The statement shows how the Chief Constable 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 Chief Constable are funded by the PCC.

| 2018/19<br>£000 |   | Notes | 2019/20<br>£000 |
|-----------------|---|-------|-----------------|
| 160,790         | <b>Net deficit on the provision of services</b>   |       | 74,252          |
| (160,790)       | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements   | 19    | (74,252)        |
| 0               | Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities |       | 0               |
| 0               | <b>Net cash flows from Operating Activities</b>   |       |                 |
| 0               | Investing Activities  |       | 0               |
| 0               | <b>Net increase or decrease in cash and cash equivalents</b>  |       |                 |
| 0               | Cash and cash equivalents at the beginning of the reporting period  |       | 0               |
| 0               | <b>Cash and cash equivalents at the end of the reporting period</b>   |       | 0               |

## Notes to the Financial Statements

The following notes contain information which is in addition to that contained in the main financial statements, and is intended to provide a fuller explanation and description of specific figures to aid the reader's understanding of the Statement of Accounts.

### 1. Expenditure and Funding Analysis (EFA)

This Statement shows how annual expenditure is used and funded from resources (government grants and council tax) by PCCs in comparison with those resources consumed or earned by PCCs in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the PCC's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

|  | 2019/20<br>Net<br>Expenditure<br>Chargeable to the<br>Police Fund<br>Balances<br>£000 | 2019/20<br>Adjustments<br>between the<br>Funding and<br>Accounting Basis<br>£000 | 2019/20<br>Net Expenditure<br>in the CIES<br>£000 |
|--|---|--|---|
| Policing Services                                    | 238,699   | 36,234   | 274,933   |
| <b>Net Cost of Policing Services</b>                 | <b>238,699</b>  | <b>36,234</b>  | <b>274,933</b>                                    |
| Funding from the PCC                                 | (238,699)   | (4,902)  | (243,601)   |
| Other income and expenditure                         | 0   | 42,920   | 42,920  |
| <b>(Surplus) or deficit on provision of Services</b> | <b>0</b>  | <b>74,252</b>  | <b>74,252</b>                                     |

|   |          |
|---|----------|
| Opening Police Fund at 31 March 2019        | 0        |
| Less Deficit on Police Fund in Year         | 0        |
| <b>Closing Police Fund at 31 March 2020</b> | <b>0</b> |

|  | 2018/19<br>Net<br>Expenditure<br>Chargeable to the<br>Police Fund<br>Balances<br>£000 | 2018/19<br>Adjustments<br>between the<br>Funding and<br>Accounting Basis<br>£000 | 2018/19<br>Net Expenditure<br>in the CIES<br>£000 |
|--|---|--|---|
| Policing Services                                    | 216,648   | 135,619  | 352,267   |
| <b>Net Cost of Policing Services</b>                 | <b>216,648</b>  | <b>135,619</b>   | <b>352,267</b>                                    |
| Funding from the PCC                                 | (216,648)   | (6,115)  | (222,763)   |
| Other income and expenditure                         | 0   | 31,286   | 31,286  |
| <b>(Surplus) or deficit on provision of Services</b> | <b>0</b>  | <b>160,790</b>   | <b>160,790</b>                                    |

|   |          |
|---|----------|
| Opening Police Fund at 31 March 2018        | 0        |
| Less Deficit on Police Fund in Year         | 0        |
| <b>Closing Police Fund at 31 March 2019</b> | <b>0</b> |



Notes to the Financial Statements**1(a) Note to the EFA**

## Adjustments between Funding and Accounting Basis

| 2019/20  |   |   |   |                             |                   |
|--|---|---|---|-----------------------------|-------------------|
| Adjustments from Police Fund to arrive at the CIES amounts                           | Adjustments for Capital Purposes (note i) | Net Change for the Pensions Adjustments (note ii) | Financing and Investment Adjustments (note iii) | Other Adjustments (note iv) | Total Adjustments |
|  | £000                                      | £000  | £000  | £000                        | £000              |
| Policing Services  | 5,399                                     | 30,556  | (665)   | 944                         | 36,234            |
| <i>Net Cost of Services</i>  | 5,399                                     | 30,556  | (665)   | 944                         | 36,234            |
| Funding from the PCC   | (5,399)                                   | 0   | 665   | (168)                       | (4,902)           |
| Other income and expenditure from the Funding Analysis                               | 0   | 42,920  | 0   | 0                           | 42,920            |
| <b>Difference between Police Fund surplus or deficit and CIES surplus or deficit</b> | <b>0</b>                                  | <b>73,476</b>                                     | <b>0</b>  | <b>776</b>                  | <b>74,252</b>     |

| 2018/19  |   |   |   |                             |                   |
|--|---|---|---|-----------------------------|-------------------|
| Adjustments from Police Fund to arrive at the CIES amounts                           | Adjustments for Capital Purposes (note i) | Net Change for the Pensions Adjustments (note ii) | Financing and Investment Adjustments (note iii) | Other Adjustments (note iv) | Total Adjustments |
|  | £000                                      | £000  | £000  | £000                        | £000              |
| Policing Services  | 6,584                                     | 129,190   | (469)   | 314                         | 135,619           |
| <i>Net Cost of Services</i>  | 6,584                                     | 129,190   | (469)   | 314                         | 135,619           |
| Funding from the PCC   | (6,584)                                   | 0   | 469   | 0                           | (6,115)           |
| Other income and expenditure from the Funding Analysis                               | 0   | 31,286  | 0   | 0                           | 31,286            |
| <b>Difference between Police Fund surplus or deficit and CIES surplus or deficit</b> | <b>0</b>                                  | <b>160,476</b>                                    | <b>0</b>  | <b>314</b>                  | <b>160,790</b>    |

**Note (i) Adjustments for Capital Purposes**

This column adds in depreciation and amortisation in the services line. MRP and other revenue contributions to capital expenditure are deducted because they are not chargeable under generally accepted accounting practices.

**Note (ii) Net Change for Pensions Adjustments**

This column reflects the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

# Notes to the Financial Statements

- For services this represents the removal of the employer pension contributions made by the Group as allowed by statute and the replacement with current service costs and past service costs;
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

**Note (iii) Financing and Investment Income and Expenditure Adjustments** – this column adjusts for borrowing costs that are charged to the Police Fund but are not included in the Net Costs of Policing Services.

**Note (iv) Other Adjustments** – this column reflects timing differences relating to accruing for compensated absences earned but not taken in the year (absorbed by the Accumulated Absences Account). Also included is £0.168m in respect of the training costs funded by the government from the Apprenticeship Levy.

## 1(b) Expenditure and Income Analysed by Nature

| 2018/19<br>£000 |  | 2019/20<br>£000 |
|-----------------|--|-----------------|
| 102,435         | Police officers pay  | 116,464         |
| 61,466          | Police staff pay   | 65,072          |
| 3,327           | Police pensions  | 3,308           |
| 2,625           | Other Employee Expenses  | 2,734           |
| 51,993          | Pensions current cost of service                                       | 72,286          |
| (30,389)        | Cost of pensions based on cash flows                                   | (35,974)        |
| 314             | Accumulated absences   | 776             |
| 107,586         | Non distributed costs  | (5,756)         |
| 44,906          | Other service expenditure  | 48,734          |
| 11,580          | Depreciation, Amortisation, Revaluation Loss and REFCUS (see glossary) | 8,889           |
| 70,612          | Net interest on the net defined benefit liability                      | 73,995          |
| 426,455         | <b>Total Expenditure</b>   | 350,528         |
| (222,763)       | Funding from the PCC for financial resources consumed                  | (243,601)       |
| (39,326)        | Government grants and contributions                                    | (31,075)        |
| (3,576)         | Capital Charges from the PCC to the Chief Constable – net              | (1,600)         |
| (265,665)       | <b>Total Income</b>  | (276,276)       |
| 160,790         | <b>Deficit on the Provision of services</b>                            | 74,252          |

## **2. Accounting standards that have been issued but have not yet been adopted**

The Code requires the Chief Constable to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards are as follows:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

None of the above are expected to have a material impact on the Accounts of the Chief Constable. The implementation of IFRS 16 – Leases for Public Sector Accounts has again been deferred, this time due to Covid-19, until 1 April 2021 so there is no requirement to consider this in the 2019/20 Accounts.

## **3. Critical judgements in applying accounting policies**

The financial statements are prepared using the accounting policies set out in the earlier section; however the Chief Constable is required to exercise judgement and make estimates and assumptions, based on a range of factors including experience or expert valuation, which affects the application of these policies and the value of transactions and balances reported in the financial statements. This is often the case where there are complex transactions or uncertainty about future events and/or figures are not readily available from another source. The estimates and assumptions are kept under review and revisions, where appropriate, are recognised in the period in which they are made. The critical judgements that have a material impact on the Accounts are as follows:

### **PCC and Chief Constable group relationship**

The Police Reform and Social Responsibility Act 2011 came into effect on 22 November 2012, creating two corporation soles: The Police and Crime Commissioner for West Mercia (PCC) and the Chief Constable of West Mercia Police (CC).

The allocation of transactions and balances between the PCC and the CC affects the values reported in the two entities' Accounts. The allocation of transactions and balances is a judgement in light of the legislation, accounting standards and the substance of the local arrangements that are in place rather than the legal form underpinning the arrangements. The treatment of the Group, consisting of the PCC and CC, and the Alliance which also includes the PCC and Chief Constable for Warwickshire has to be considered jointly.

The approach taken to the accounts is that:

- Revenue expenditure directly relating to those budgets delegated to the CC for the provision of policing services is predominantly included within his Accounts;
- The CC's accounts have been charged with the expense associated with IAS19 pensions and accumulated staff absences as well as the fair value of non-current assets consumed during the year and the CC's Balance Sheet contains the net liabilities associated with these items offset by unusable reserves as required by the Code of Practice;
- An intra-group transfer has been made between the CC's and the PCC's CIES offsetting the above expenses;

## Notes to the Financial Statements

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- Within the Group accounts, where material, a distinction is made between the transactions and balances of the Group and the PCC;
- The Chief Constable's Balance Sheet contains employment-related debtors, creditors and provisions together with all inventories.

### **Alliance**

The allocation of transactions and balances between partners within the Alliance also affects the values reported in the two entities' respective Accounts.

Judgements taken in the application of accounting policies and the allocation of transactions and balances in the Accounts in respect of the Alliance are consistent to those taken in regard to the Group (PCC and CC) and comply with the requirements of the Code. Integral to this judgement is the financial arrangements for the Alliance as set out in the Section 22 Agreement and the cost sharing model. The economic reality of the Alliance cost sharing model takes precedence over the Group in many respects and has been influential in determining the treatment of transactions and balances in the Group Accounts in line with accounting policies and our interpretations of the Code.

A judgement, fundamental to the cost sharing model, was that costs and benefits relating to the Alliance were apportioned 69% to West Mercia and 31% to Warwickshire. This was arrived at by looking at various indicators including funding, demographics, work force profile, expenditure, crime volumes etc. and has been widely consulted on. As explained in the Narrative Report, the strategic alliance terminated with effect from 1 April 2020 and this judgement will no longer apply from that date. Two new S22a Collaborative Agreements have been agreed between the two forces for four services which will continued to be provided to or shared with Warwickshire during 2020/21. A revised cost sharing mechanism has also been agreed. The Police and Crime Commissioner and Chief Constable have also successfully negotiated an exit strategy and reached agreement on the reasonable termination costs that will be paid to Warwickshire. These costs were included in the audited 2018/19 Statement of Accounts for the Group and the Police and Crime Commissioner for West Mercia.

### **Post employment benefits (pension liability)**

Estimation of the pension liability depends on a number of complex judgements and assumptions relating to the discount rate, the future value of the assets and liabilities of the Police Pension Schemes (PPS) and Local Government Pension Scheme (LGPS), the rate of increase in pay, changes in retirement ages and mortality rates. Two actuaries are engaged to provide the Chief Constable with expert advice about the assumptions to be applied to the pension schemes.

The assumptions used to value the pension assets and liabilities are reviewed annually when the actuaries prepare the figures for inclusion in the Accounts. They will vary year on year based on experience and changes to the pension schemes e.g. scheme profiles and the most appropriate inflation index. A variance in the assumptions compared to reality can produce material changes to the assets and liabilities of the pension schemes. The actuary produces sensitivity analysis to show the impact of a plus or minus 1% variation in key assumptions. The impact of these changes is dampened by the fact that only employer contributions, the cost of ill health retirements and injury awards are charged against the General Fund. The impact on the employer's contributions is smoothed over time by the valuation of the schemes, which is undertaken every three years.

## **Cost of Service – Comprehensive Income and Expenditure Statement (CIES)**

As explained in the Accounting Policies, income and expenditure is categorised into one segment: Policing Services, as this is how the organisation monitors and manages its financial performance. Support service costs are reported as part of the services where they are monitored and managed.

The Net Cost of Policing Services has decreased by £72.6m compared to 2018/19, mainly due to fluctuations between years relating to the valuations of pensions costs.

## **Funding**

As explained in the Narrative Statement, there is a high degree of uncertainty around future funding from the Government received through the funding formula. This has been accommodated in the MTFP and is addressed through the requirement to make savings.

## **4. Assumptions made about the future and other major sources of estimation and uncertainty**

The Accounts contain estimated figures that are based on judgements and assumptions made by the Chief Constable about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from those that have been estimated. The items in the Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## **Post Employment Benefits (Pension Liability)**

The basis of estimating the net liability to pay pension benefits to police officers and police staff is referred to in the previous section. This estimate depends on a number of complex judgements and assumptions around the discount rates used to calculate the pension liabilities. Any changes could have a material impact on the total liability of the pension funds. The actuaries provide illustrations of variations in assumptions to help the Chief Constable understand the potential impact of changes in mortality rates, retirement ages and expected returns on fund assets etc. The actuaries provide the Chief Constable with advice and illustrations of the potential impact of the changes in assumptions and these are set out at the end of Note 20.

## **Employee benefits**

With the exception of leave built up through flexible working hours the majority of the hours required to calculate the accrued annual leave and toil are taken directly from the HR and Duty Management system. The flexi hours are calculated by extrapolating a sample of police staff. A cost is applied to the hours to calculate the employee benefit accrual using average salary cost per rank based on the data held in the payroll. This is the most significant estimate used to affect the accruals.

## **Provisions**

The Chief Constable had one provision as at 31 March 2020 relating to the costs of voluntary redundancies and early retirements on the grounds of voluntary redundancy, ill-health and

## Notes to the Financial Statements

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injuries agreed during the 2019/20 financial year but falling into the following financial year. There is a high degree of certainty that the liabilities will materialise and that the amounts have been reliably estimated with a high degree of accuracy. The provision amounts to £0.432m and is held in the Chief Constable's balance sheet as it relates to employment matters; any changes in the assumptions used to estimate these will only have a minor impact on the Accounts.

### 5. Material items of income and expenditure

The re-measurement of the net defined benefit liability in the Other Comprehensive Income and Expenditure section of the CIES is a gain of £208.3m, compared to a loss of £81.4m in 2018/19. The gain is due to relatively small change in the assumptions and rates used by the actuaries for calculating longevity, inflation and discounting scheme liabilities. Overall, the Pensions Liability held on the Balance Sheet, has reduced by £134.9m to £2,596.1m at 31 March 2020. Further information regarding the Pensions Liabilities can be found in Note 20.

### 6. Events after the Reporting Period

The Statement of Accounts were authorised for issue by the Head of Commercial Services on xx xxxxx 2020. Events taking place after this date are not reflected in the financial statements or notes.

In March 2020 Worcestershire County Council gave notice of its intention to exit the joint operation known as Place Partnership Limited (PPL) effective from 1<sup>st</sup> April 2021. This is a single asset management company co-owned by West Mercia Police, Warwickshire Police, Worcestershire County Council and Hereford & Worcester Fire Authority. The remaining partners are considering their response.

On 23 March 2020 the UK entered a state of 'lockdown' in response to the Coronavirus outbreak. West Mercia Police has continued the majority of its operations throughout the lockdown period providing personal protective equipment to its officers and staff and applying social distancing within its estate. The impact of Coronavirus, although more prolonged has been dealt with under the force's existing major incident protocols and is not expected to have any material impact on the force as a going concern.

On 16 July 2020 HM Treasury published their Public service pension schemes consultation: changes to the transitional arrangements to the 2015 Schemes, which contained the proposed remedy regarding McCloud/Sargeant. This resulted in GAD re-calculating the pension liability for the PPS and a reduction of £26m in the liability has been shown in these Accounts compared to the unaudited Accounts. Further details can be found in Note 20.

### 7. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Chief Constable in the year in accordance with proper accounting practice to resources that are specified by statutory provisions as being available to the Chief Constable to meet future capital and revenue expenditure.



Notes to the Financial Statements

| 2019/20   | Police Fund Balance |
|---|---------------------|
|   | £000                |
| <b>Adjustments to the Revenue Resources</b>   |                     |
| <i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i> |                     |
| Pensions Costs (transferred to or from Pensions Reserve)  | (73,476)            |
| Holiday pay (transferred to the Accumulated Absences Reserve)   | (776)               |
| <b>Total Adjustments</b>  | <b>(74,252)</b>     |

| 2018/19   | Police Fund Balance |
|---|---------------------|
|   | £000                |
| <b>Adjustments to the Revenue Resources</b>   |                     |
| <i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i> |                     |
| Pensions Costs (transferred to or from Pensions Reserve)  | (160,476)           |
| Holiday pay (transferred to the Accumulated Absences Reserve)   | (314)               |
| <b>Total Adjustments</b>  | <b>(160,790)</b>    |

## 8. Unusable reserves

The Pensions Reserve and Accumulated Absences Reserve are held by the Chief Constable and all other unusable reserves are held by the PCC. Unusable reserves are consolidated in the Group Accounts. The Chief Constable's unusable reserves can be summarised as follows:

| 31 March<br>2019<br>£000 |                                | 31 March<br>2020<br>£000 |
|--------------------------|--------------------------------|--------------------------|
| 2,731,004                | Pension Reserve                | 2,596,134                |
| 3,764                    | Accumulated Absences Reserve   | 4,540                    |
| <b>2,734,768</b>         | <b>Total Unusable Reserves</b> | <b>2,600,674</b>         |

### (i) Pensions Reserve

Payments for the cost of post employment benefits and the associated liability are shown in the Chief Constable's Accounts. 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 Chief Constable Accounts for post employment benefits in the CIES 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 Chief Constable makes employers contributions to pension funds or eventually pays any pensions for which he 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 Chief Constable has set aside to meet them. The statutory arrangements will ensure that funding will

Notes to the Financial Statements

have been set aside by the time the benefits are due to be paid and that the PCC can continue to meet the liability in the Chief Constable's Accounts, which is made up as follows:

| 2018/19<br>£000 |  | 2019/20<br>£000 |
|-----------------|--|-----------------|
| 2,506,875       | <b>Balance as at 1 April</b>   | 2,731,004       |
| 63,653          | Re-measurement of the net defined benefit liability  | (208,346)       |
| 230,191         | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | 140,525         |
| (69,715)        | Employer's pensions contributions and direct payments to pensioners payable in the year  | (67,049)        |
| 2,731,004       | <b>Balance as at 31 March</b>  | 2,596,134       |

**(ii) Accumulated Absences Account**

The cost of employment benefits and the associated Accumulated Absences liability is shown in the Chief Constable's Accounts. The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. time off in lieu carried forward at 31 March. Statutory arrangements require that the impact on the Police Fund Balance is neutralised by transfers to or from the Account.

| 2018/19 |       |   | 2019/20 |       |
|---------|-------|---|---------|-------|
| £000    | £000  |   | £000    | £000  |
|         | 3,450 | <b>Balance as at 1 April</b>  |         | 3,764 |
| (3,450) |       | Cancellation of accrual made at the end of the preceding year   | (3,764) |       |
| 3,764   |       | Amount accrued at the end of the current year   | 4,540   |       |
|         | 314   | Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements |         | 776   |
|         | 3,764 | <b>Balance as at 31 March</b>   |         | 4,540 |

**9. Intra-Group funding arrangements between the PCC and the Chief Constable**

The treatment of transactions and balances within the Group Accounts is set out in Note 3.

The Intra-Group funding arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the PCC and Chief Constable. The guarantee from the PCC in respect of the resources consumed by the Chief Constable in 2019/20 amounts to £243.6m (£222.8m in 2018/19). This is included within the Net Cost of Policing Services in the CIES, in line with current best practice for the preparation of Police Accounts.

The Chief Constable's Balance Sheet includes an Intra-Group Creditor of £0.8m (£12.6m in 2018/19) being the net balance of funding not settled between the PCC and Chief Constable as at the 31 March; this relates mainly to the balance of Debtors and Creditors shown in each of the single-entity accounts as at this date.

The calculation of the Intra-Group funding is set out in the following table:



Notes to the Financial Statements

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
| 352,267         | Chief Constable's Cost of Services  | 274,933         |
| 70,612          | Interest on the net defined benefit liability   | 73,995          |
| (39,326)        | Home Office grant towards the cost of retirement  | (31,075)        |
| 63,653          | Re-measurement of the net defined benefit liability                                       | (208,346)       |
| <b>447,206</b>  | <b>Resources consumed</b>   | <b>109,507</b>  |
|                 | <b>Items removed through the MIRS</b>   |                 |
| (224,129)       | Movement in pensions liability  | 134,870         |
| (314)           | Movement in accumulated absences liability  | (776)           |
| <b>222,763</b>  | <b>Total resources consumed for the year by the Chief Constable and funded by the PCC</b> | <b>243,601</b>  |

**10. Pooled budgets and joint operations****Alliance with Warwickshire Police**

West Mercia Police and Warwickshire Police operated in an 'alliance' that provided an opportunity for the two neighbouring forces to work closely together and to share resources and assets. Each PCC retained strategic control and their own sovereignty, finances, estates and identity and each Chief Constable retained operational independency. From 1 April 2019, Local Policing was "non-pooled" and operated independently for each Force during 2019/20. The alliance itself ceased on 1 April 2020.

The pooled costs resulting from the alliance policing model are set out in the following table. Relevant costs were shared across the entities in line with the cost sharing arrangements, West Mercia 69%, Warwickshire 31%. The governance arrangements and resulting treatment of transactions and balances is set out in Note 3.

| 2018/19<br>£000  |   | 2019/20<br>£000  |
|------------------|---|------------------|
| (80,752)         | Contribution from Warwickshire                | (31,694)         |
| (179,735)        | Contribution from West Mercia                 | (70,556)         |
| <b>(260,487)</b> | <b>Total Funding provided to the Alliance</b> | <b>(102,250)</b> |
| 222,454          | Pay and allowances                            | 66,791           |
| 5,831            | Transport costs                               | 5,394            |
| 30,732           | Supplies and Services                         | 29,498           |
| 9,425            | Third Party Payments                          | 9,124            |
| (7,955)          | Income  | (8,557)          |
| <b>260,487</b>   | <b>Total Expenditure (pooled)</b>             | <b>102,250</b>   |

**Place Partnership Limited**

Place Partnership Limited (PPL) is a single asset management company co-owned by West Mercia Police, Warwickshire Police, Worcestershire County Council and Hereford & Worcester Fire Authority that commenced business on 1 September 2015. Each party has equal shares and equal voting rights. PPL has been classified as a Joint Operation, because there is joint

## Notes to the Financial Statements

control and the activity of the arrangement is primarily to provide services to the parties within the parties' boundaries. With effect from 1 April 2019, Redditch Borough Council and Worcester City Council ceased to be shareholders of PPL; West Mercia's share of assets and liabilities (including pensions) was revised in 2019/20 to reflect this change. In 2019/20, the operating costs for West Mercia Police were £8.197m (£8.095m in 2018/19) and this is reflected in the CIES. PPL has not been fully consolidated into West Mercia Police's Accounts as a Joint Operation, because there is no material difference to the costs already reflected.

As stated in Note 6, in March 2020 Worcestershire County Council gave notice of its intention to exit the joint operation known as Place Partnership Limited (PPL) effective from 1<sup>st</sup> April 2021. The remaining partners are considering their response.

West Mercia Police's share of PPL's Local Government Pension Scheme assets and liabilities as at 31 March 2020 have been incorporated into the Accounts and are shown separately in the tables in Note 36. The actuaries assessed both the total assets and total liabilities relating to PPL as £33.666m as at 31 March 2019 (West Mercia's share being 37.7%): a net liability of zero. In assessing this position the actuaries have taken into account the guarantee that is in place between the partners and PPL to ensure that PPL's pension position is fully funded at inception and at the year end.

### 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:

| 2018/19         |  | 2019/20         |
|-----------------|--|-----------------|
| £000            |  | £000            |
| (13,475)        | Contribution from West Midlands Police                                   | (14,026)        |
| (3,789)         | Contribution from West Mercia Police                                     | (3,783)         |
| (3,681)         | Contribution from Staffordshire Police                                   | (3,675)         |
| (1,840)         | Contribution from Warwickshire Police                                    | (1,837)         |
| (2,399)         | WMROCU Grant   | (2,399)         |
| (270)           | National Cyber Security Programme funding                                | (270)           |
| (165)           | Regional Asset Recovery Team grant                                       | (166)           |
| (532)           | ROCU Reserves  | (693)           |
| (1,784)         | PTF Grants   | (1,134)         |
| (625)           | Additional Home Office funding (grant provided at year end in 2019/20) * | 0               |
| <b>(28,560)</b> | <b>Total funding provided to the WMROCU</b>                              | <b>(27,983)</b> |

## Notes to the Financial Statements

|               |  |               |
|---------------|--|---------------|
| 1,056         | Regional Asset Recovery Team (RART)                    | 995           |
| 165           | RART – ACE team  | 196           |
| 645           | Regional Cyber Crime Unit                              | 637           |
| 315           | Regional Fraud Team                                    | 288           |
| 927           | Regional Prisons Intelligence Unit                     | 922           |
| 943           | UKPPS (protected persons)                              | 8             |
| 56            | Operational Security (OPSY)                            | 61            |
| 46            | Regional Government Agency Intelligence Network (GAIN) | 50            |
| 1,181         | Command Team   | 1,533         |
| 5,484         | Regional Confidential Unit                             | 5,527         |
| 716           | TIDU – Technical Intelligence                          | 624           |
| 180           | Enabling Services                                      | 305           |
| 4,473         | SOCU   | 4,628         |
| 7,850         | Regional Surveillance Unit (FSU)                       | 8,266         |
| 259           | Threat Assessment Team (ROCTA)                         | 122           |
| 474           | Disruption Team  | 266           |
| 3,165         | Other Regional Operations                              | 3,555         |
| 625           | Additional Contribution to Reserves *                  | 0             |
| <b>28,560</b> | <b>Total Expenditure</b>                               | <b>27,983</b> |
|               |  |               |
| <b>0</b>      | <b>Total Net Expenditure</b>                           | <b>0</b>      |

\* The additional £0.625m Home Office grant was provided in March 2019 to be used in 2019/20. Therefore the grant has been shown as income in 2018/19 and then contributed to reserves. In 2019/20 the grant was released to ROCU for the provision of services.

### National Police Air Service (NPAS)

NPAS was set up by the Home Office with effect from 2 October 2012 with administration of the service being provided by the Chief Constable of West Yorkshire. NPAS does not constitute a jointly controlled operation and so the PCC only accounts for the expense of payments to NPAS amounting to £0.502m in 2019/20, (£0.388m in 2018/19) and not for a share of the assets or liabilities.

As part of the transfer arrangements, the PCC receives an annual payment from NPAS to reflect the value of the assets transferred from West Mercia on inception of NPAS. NPAS's liability to the PCC is shown in the PCC's balance sheet as a long term debtor of £0.052m and a short term debtor of £0.079m, representing the discounted value of future expected cash flows in 2019/20 and subsequent years. Future payments from NPAS will be offset against these debtors and an annual interest amount credited to the CIES.

### 11. Exit Packages

In order to make savings as part of the Medium Term Financial Plan it has been necessary to review how police services are delivered. As a result a number of exit packages have been approved during 2019/20 and the costs are included in the Chief Constable's CIES.

Notes to the Financial Statements

Exit packages include charges by the LGPS in respect of benefits paid before normal retirement age. There were no compromise agreements covering the 2019/20 exit packages. Two of the employees will not leave the organisation until after 1 April 2020 and a provision of £0.149m has been set aside to meet these costs (see Note 17 below). The number of exit packages resulting from redundant posts with total cost per band is set out in the table:

| Exit Package cost band (including special payments) | Number of Exit Packages |           | Total cost of Exit Packages in each band |                 |
|---|-------------------------|-----------|--|-----------------|
|   | 2018/19                 | 2019/20   | 2018/19<br>£000                          | 2019/20<br>£000 |
| £0 - £20,000  | 17                      | 4         | 257                                      | 35              |
| £20,001 - £40,000                                   | 8                       | 1         | 239                                      | 34              |
| £40,001 - £60,000                                   | 1                       | 1         | 42                                       | 45              |
| £60,001 - £80,000                                   | 2                       | 0         | 135                                      | 0               |
| £80,001 - £100,000                                  | 1                       | 1         | 83                                       | 80              |
| £100,001 - £150,000                                 | 3                       | 2         | 366                                      | 280             |
| £150,001 +  | 2                       | 2         | 397                                      | 366             |
| <b>Total</b>  | <b>34</b>               | <b>11</b> | <b>1,519</b>                             | <b>839</b>      |

## 12. Officers' Remuneration

Regulation 7(3) of the Accounts and Audit Regulations 2015 sets out the information to be disclosed to increase transparency and accountability in Local Government for reporting remuneration of senior employees and senior police officers. Remuneration includes all sums paid to or receivable by an employee and expense allowance chargeable to tax, including non-cash benefits in kind. The relevant remuneration information is as follows:

### Senior Officer and Relevant Police Officer Emoluments:

|                                   |                | Salary, Fees & Allowances | Bonuses | Expenses Allowances | Benefits in Kind (e.g. car allowance) | Other Payments (Police Officer only) | Exit Packages | Pension Contributions | Total   |
|-----------------------------------|----------------|---------------------------|---------|---------------------|---------------------------------------|--------------------------------------|---------------|-----------------------|---------|
|                                   |                | £                         | £       | £                   | £                                     | £                                    | £             | £                     | £       |
| Chief Constable - Mr A Bangham    | <b>2019/20</b> | 151,317                   | 0       | 0                   | 8,569                                 | 4,281                                | 0             | 46,908                | 211,075 |
|                                   | <b>2018/19</b> | 147,923                   | 0       | 0                   | 8,395                                 | 4,281                                | 0             | 35,797                | 196,396 |
| Deputy Chief Constable 1 – Note 1 | <b>2019/20</b> | 72,284                    | 0       | 0                   | 3,000                                 | 2,150                                | 0             | 22,408                | 99,842  |
|                                   | <b>2018/19</b> | 122,031                   | 0       | 0                   | 7,241                                 | 3,685                                | 0             | 29,532                | 162,489 |
| Deputy Chief Constable 2 – Note 2 | <b>2019/20</b> | 29,833                    | 0       | 0                   | 1,243                                 | 875                                  | 0             | 9,248                 | 41,199  |
|                                   | <b>2018/19</b> | 0                         | 0       | 0                   | 0                                     | 0                                    | 0             | 0                     | 0       |
| Asst Chief Constable 1 – Note 3   | <b>2019/20</b> | 108,318                   | 0       | 0                   | 6,982                                 | 2,500                                | 0             | 33,578                | 151,378 |
|                                   | <b>2018/19</b> | 105,259                   | 0       | 0                   | 7,150                                 | 2,635                                | 0             | 25,473                | 140,517 |

# The Chief Constable of West Mercia Police Statement of Accounts 2019/20

## Notes to the Financial Statements

|   |   |         |   |   |       |       |   |        |         |
|---|---|---------|---|---|-------|-------|---|--------|---------|
| Asst Chief Constable<br>2 – Note 4        | <b>2019/20</b>  | 106,788 | 0 | 0 | 7,378 | 4,281 | 0 | 33,104 | 151,551 |
|   | <b>2018/19</b>  | 72,934  | 0 | 0 | 6,029 | 3,119 | 0 | 17,650 | 99,732  |
| Asst Chief Constable<br>3 – Note 5        | <b>2019/20</b>  | 91,180  | 0 | 0 | 1,239 | 0     | 0 | 27,466 | 119,885 |
|   | <b>2018/19</b>  | 0       | 0 | 0 | 0     | 0     | 0 | 0      | 0       |
| Asst Chief Constable<br>4 – Note 6        | <b>2019/20</b>  | 86,161  | 0 | 0 | 1,239 | 0     | 0 | 25,620 | 113,020 |
|   | <b>2018/19</b>  | 0       | 0 | 0 | 0     | 0     | 0 | 0      | 0       |
| Director of Business<br>Services – Note 7 | <b>2019/20</b>  | 85,514  | 0 | 0 | 1,239 | 0     | 0 | 12,143 | 98,896  |
|   | <b>2018/19</b>  | 0       | 0 | 0 | 0     | 0     | 0 | 0      | 0       |
| Head of Commercial<br>Services – Note 8   | <b>2019/20</b>  | 40,573  | 0 | 0 | 0     | 0     | 0 | 5,761  | 46,334  |
|   | <b>2018/19</b>  | 0       | 0 | 0 | 0     | 0     | 0 | 0      | 0       |
| Notes:                                    |   |         |   |   |       |       |   |        |         |
| 1   | Left the Force on 31 October 2019.  |         |   |   |       |       |   |        |         |
| 2   | Commenced in post on 6 January 2020.  |         |   |   |       |       |   |        |         |
| 3   | Left the Force on 12 March 2020.  |         |   |   |       |       |   |        |         |
| 4   | Commenced in post on 8 July 2018; acted up to DCC from 21 October 2019 to 5 January 2020.   |         |   |   |       |       |   |        |         |
| 5   | Acted up from Chief Superintendent to ACC from 21 October 2019 to 29 December 2019  |         |   |   |       |       |   |        |         |
| 6   | Acting up from Chief Superintendent to ACC from 2 March 2020.   |         |   |   |       |       |   |        |         |
| 7   | New post - temporarily promoted from 21 October 2019 to 20 December 2019; promoted permanently from 18 March 2020.  |         |   |   |       |       |   |        |         |
| 8   | Section 151 Officer for West Mercia Police, commenced in post 1 November 2019. The previous section 151 Officer was in an alliance role and was employed by Warwickshire Police, with the costs shown in the Warwickshire Group and Chief Constable Accounts.   |         |   |   |       |       |   |        |         |
| *   | Under the Alliance agreement the costs of Assistant Chief Officers from West Mercia Police and the costs of Assistant Chief Officers from Warwickshire Police were pooled and the expenditure was shared between the two forces on the basis of 69% West Mercia 31% Warwickshire. The Chief Constable and Deputy Chief Constable costs were not shared. |         |   |   |       |       |   |        |         |

Notes to the Financial Statements

Senior police officers and police staff receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) and including Senior Officers listed above were paid the following amounts:

| Number of Employees |                     | Number of Employees |
|---------------------|---------------------|---------------------|
| 2018/19             | Remuneration Band   | 2019/20             |
| 116                 | £50,000 - £54,999   | 138                 |
| 71                  | £55,000 - £59,999   | 113                 |
| 24                  | £60,000 - £64,999   | 27                  |
| 9                   | £65,000 - £69,999   | 13                  |
| 6                   | £70,000 - £74,999   | 9                   |
| 3                   | £75,000 - £79,999   | 4                   |
| 6                   | £80,000 - £84,999   | 7                   |
| 0                   | £85,000 - £89,999   | 3                   |
| 2                   | £90,000 - £94,999   | 1                   |
| 1                   | £110,000 - £114,999 | 1                   |
| 0                   | £115,000 - £119,999 | 1                   |
| 1                   | £125,000 - £129,999 | 0                   |
| 1                   | £155,000 - £159,999 | 1                   |
| <b>240</b>          | <b>Total</b>        | <b>318</b>          |

### 13. External Audit Costs

The Chief Constable has incurred £14,438 (£14,438 in 2018/19) in relation to the Statement of Accounts statutory audit provided by the Group's external auditors, Grant Thornton. The total audit fee for the Group is £40,818 (£40,818 in 2018/19). The PCC's share of the audit fees is £26,380 (£26,380 in 2018/19). A rebate of £1,750 was received from Public Sector Audit Appointments in respect of the Chief Constable's audit fees for 2018/19.

Grant Thornton provided no non-audit services during the year (nil in 2018/19).

### 14. Related Parties

The PCC and the Chief Constable are intrinsically related. The PCC empowers the Chief Constable through the scheme of consent and provides funding to meet expenditure incurred by the Chief Constable on behalf of the PCC. A full explanation of this relationship is set out in Note 3 to the Accounts.

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

## Notes to the Financial Statements

Central government has significant influence over the general operations of the Chief Constable. It is responsible for providing the statutory framework within which the Chief Constable operates. The PCC has direct control over the Group's finances, including making crime and disorder reduction grants and is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the PCC, to deliver the aims and objectives set out in the Police and Crime Plan.

Worcestershire County Council administers the LGPS and provides payroll services to the Chief Constable. The administration of the police pension schemes is provided by XPS Pensions Group.

The PCC and Chief Constable participate in various partnerships with a range of public bodies, the most significant of which was the Alliance under a Section 22 Agreement with Warwickshire Police, which ceased on 31 March 2020. Details of the transactions with other public bodies participating in joint arrangements are set out in Note 11 to the Accounts. The Alliance with Warwickshire Police involved a cross-charge in and cross-charge out in 2019/20 of £10.4m (£39.4m in 2018/19) and £19.1m (£48.6m in 2018/19) respectively as shown in the table below. The cross-charges are much lower in 2019/20 compared to 2018/19 mainly due to the "non-pooling" of Local Policing from 1 April 2019.

As explained in Note 11, Place Partnership Limited (PPL) is a single asset management company co-owned by West Mercia Police, Warwickshire Police, Worcestershire County Council and Hereford & Worcester Fire Authority that commenced business on 1 September 2015. Each party holds two shares of £1 each; the PCC and the Chief Constable each held one share of West Mercia Police's shares at the start of the year, with the Chief Constable's share transferring to the PCC on 6 December 2019. The PCC and Chief Constable receive no remuneration from PPL.

The following table shows the extent of the expenditure and income with other local authorities and police forces.

|  | Expenditure   | Income          |
|--|---------------|-----------------|
|  | £000          | £000            |
| Warwickshire Police Strategic Alliance S23 Agreement cross-charges | 10,350        | (19,105)        |
| Local Authorities in the Policing Area                             | 3,964         | (1,659)         |
| Other Local Authorities  | 138           | (7)             |
| Seconded Police Officers   | 0             | (697)           |
| Other Police Forces  | 7,104         | (1,388)         |
| Place Partnership Limited  | 8,197         | 0               |
| <b>Total</b>   | <b>29,753</b> | <b>(22,856)</b> |

There are no other related party transactions for the Chief Constable other than those set out above, which require adjustment of or disclosure in the financial statements or the accompanying notes.



Notes to the Financial Statements**15. Debtors and other current assets**

This note shows money owed to the Chief Constable for funding and services provided on or before 31 March 2020 where the money has not been received by this date. Inventories amounting to £0.388m (£0.532m in 2018/19) are now shown as part of prepayments.

| <b>31 March<br/>2019<br/>£000</b> |  | <b>31 March<br/>2020<br/>£000</b> |
|-----------------------------------|--|-----------------------------------|
| 532                               | Prepayments  | 388                               |
| 14,154                            | Other Receivables (mainly balance of Police Pensions Top-up Grant) | 10,779                            |
| <b>14,686</b>                     | <b>Total Debtors</b>   | <b>11,167</b>                     |

**16. Creditors**

This note shows money owed by the Group and PCC for goods and services purchased and received on or before 31 March 2020 where the money has not been paid by this date.

| <b>31 March<br/>2019<br/>£000</b> |   | <b>31 March<br/>2020<br/>£000</b> |
|-----------------------------------|---|-----------------------------------|
| 0                                 | Trade Payables  | (87)                              |
| (5,873)                           | Other Payables (including Tax, NI and Pension contributions payable and Accumulated Absences) | (14,407)                          |
| <b>(5,873)</b>                    | <b>Total Creditors</b>  | <b>(14,494)</b>                   |

**17. Provisions and Contingent Liabilities****Termination Benefits**

This provision was established to meet the costs of voluntary redundancies and early retirements on the grounds of voluntary redundancy, ill-health and injuries agreed during the 2019/20 financial year but falling into the following financial year.

|  | <b>Termination<br/>Benefits<br/>£000</b> |
|--|--|
| <b>Balance at 1 April 2019</b>             | <b>0</b>                                 |
| Additional provisions made in 2019/20      | 432                                      |
| Amounts used in 2019/20                    | 0  |
| <b>Balance at 31 March 2020 for the CC</b> | <b>432</b>                               |

No additional provisions were charged to the CIES in 2019/20 in respect of events or decisions which are likely to give rise to payments in the future.



## 18. Proceeds of Crime

The Act gives powers to the Police and Customs to seize cash derived from, or intended for use in crime, and to secure its forfeiture in civil magistrates' court proceedings. The PCC is currently holding cash totalling £0.918m.

## 19. Cash Flow Statement – Operating Activities

The Chief Constable does not hold a bank account and in order to balance the mandatory cash flow statement a non-cash movement is shown in respect of the sums required at the financial year end to finance the Chief Constable's share of external debtors, external creditors, inventories, provisions and the employment liability due to employees and the pensions accounts, as shown below:

| 2018/19<br>£000 |  | 2019/20<br>£000 |
|-----------------|--|-----------------|
| 1,439           | (Increase)/decrease in revenue creditors               | (8,621)         |
| (1,947)         | Increase/(decrease) in revenue debtors and inventories | (3,519)         |
| 89              | Movement in Intra-Group Funding                        | 11,796          |
| (168,209)       | Movement in pension liability                          | (73,476)        |
| 105             | Movement in provisions                                 | (432)           |
| (168,523)       | <b>Total – Group and PCC</b>                           | <b>(74,252)</b> |

## 20. Defined Benefit Pension Schemes

The costs and liabilities associated with retirement benefits are primarily recorded in the Chief Constable's Accounts.

### Participation in Pension Schemes

As part of the terms and conditions of employment for police officers and other employees the Chief Constable makes contributions towards the cost of post-employment benefits (pensions). Although these benefits will not actually be payable until employees retire, the Chief Constable has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement, no matter when the actual financial cost is incurred.

The Chief Constable participates in two defined benefit pension schemes:

- the Local Government Pension Scheme (LGPS), for police staff and PCSOs, administered locally by Worcestershire County Council. This is a funded, defined benefit scheme, meaning that the Chief Constable and the employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. With effect from 1 April 2014, the LGPS became a career average (CARE) scheme rather than a final salary scheme.
- the Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) and the Police Pension Scheme 2015 (PPS) are administered by Kier Business Services Limited. These are unfunded defined benefit final salary schemes, meaning that there are

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no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual pensions payments as they eventually fall due. The disclosures for the various Police Pension Schemes, including the Injury Awards Scheme, are consolidated in the notes below, as the rules of the schemes are not materially different. The income and expenditure incurred by the police pension schemes and how they are funded is summarised in the section covering the Police Pensions Fund Account. The pension schemes above provide members with indexed-linked benefits, which are determined predominantly by the individual's pensionable salary and length of service. As part of the government's pension reforms, these schemes are undergoing significant changes in how they are funded and the benefits they offer. However, the purpose of this note is to explain the financial impact, in accordance with the Code, of the pension schemes on the Accounts. Details of how the police pension schemes operate can be found on the Home Office website and details of how the LGPS operates can be found on the Worcestershire County Council website.

As explained in Note 11, West Mercia's 37.7% share of PPL's LGPS assets and liabilities as at 31 March 2020 (34.4% as at 31 March 2019) have been incorporated into the Accounts and are shown separately in the tables below. The actuaries assessed both the total assets and total liabilities relating to PPL as £33.666m as at 31 March 2020 (£33.988m as at 31 March 2019): a net liability of zero.

Discretionary post-retirement benefits on early retirement are an unfunded benefit arrangement, under which liabilities are recognised when awards are made. There are no scheme assets built up to meet these pension liabilities.

## **McCloud / Sargeant Ruling - Police Pension Scheme 2015 (CARE scheme) Legal Challenge**

### **Legal Cases**

The Chief Constable, along with other Chief Constables and the Home Office, currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud / Sargeant judgement, but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March 2020.

The Policing Minister has indicated that the remedy period will not end before 2022. The Treasury has commenced consultation on proposals to implement a remedy.

### **Impact on pension liability**

Allowing for all members to remain in their existing scheme as at 1 April 2015 would lead to an increase in the Police Pension Scheme liabilities. GAD initially estimated the potential increase in scheme liabilities for the force to be approximately £106m of

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pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts.

However, on 16 July 2020 HM Treasury published their Public service pension schemes consultation: changes to the transitional arrangements to the 2015 Schemes, which contained the proposed remedy regarding the McCloud/Sargeant remedy.

Included in this proposal are details of which members are eligible for remedy. In particular, those who were members of a public sector pension scheme on or before 31 March 2012 and on or after 1 April 2015 will be in scope to choose between their 2015 Scheme or legacy scheme benefits for the period April 2015 to April 2022.

The approach used by GAD when calculating the past service cost in respect of McCloud/Sargeant in the 2018/19 disclosures and the current service cost in respect of McCloud/Sargeant in the 2019/20 disclosures was to assume that all members who were in service on 1 April 2015 would be eligible. At the point of producing the information for the disclosures, details of the case and the potential form of the eventual remedy were still unclear, and it was necessary to make assumptions for many of the details. Therefore, when compared to the eligibility set out in HMT's consultation document, GAD's approach overstated the potential McCloud/Sargeant liability.

The actual impact depends on the local membership data profile (the proportion of 2006 Scheme members who joined between April 2012 and March 2015), however, GAD have estimated that broadly 1/3 of 2006 members will not be eligible for remedy (assuming a constant rate of new joiners over the nine years between 2006 and 2015). Additionally, members who joined after 31 March 2015 will not be eligible for remedy. GAD estimated that the average impact on the initial 2019/20 accounting disclosures would be a reduction in overall 2019/20 accounting liability by broadly 1%. GAD re-calculated the 2019/20 disclosures in August 2020 and issued revised figures to the force after the draft Accounts were produced. The revised figures have now been incorporated into the Accounts, and result in a £26m reduction in the pensions liability compared to the draft Accounts issued previously.

The actual impact of the increase in scheme liabilities arising from the McCloud / Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

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## Compensation Claims

The employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The basis of claims from claimants was presented in April 2020 and the identity and banding of claims proposed by claimants in June 2020 for non-pecuniary claims. Pecuniary claims are due in September 2020. As at 31 March 2020, it is not possible to estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

## Transactions relating to post-employment benefits

The cost of retirement benefits is reported in the Cost of Services when they are earned by police officers, police staff and PCSOs, rather than when the benefits are eventually paid as pensions. However, the charge against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Police Fund via the Group MIRS. The following transactions have been made in the Group CIES and the Police Fund via the MIRS during the year:

| 2019/20   | LGPS<br>£000  | LGPS<br>(PPL<br>ele-<br>ment)<br>£000 | Police<br>Pension<br>Schemes<br>£000 | Total<br>£000   |
|---|---------------|---------------------------------------|--------------------------------------|-----------------|
| <b>CIES</b>   |               |                                       |                                      |                 |
| <b>Cost of Services:</b>  |               |                                       |                                      |                 |
| – current service costs   | 14,724        | 372                                   | 57,190                               | 72,286          |
| – past service costs and gain/loss from settlements   | 3,523         | 211                                   | (9,490)                              | (6,384)         |
| <b>Financing and Investment Income and Expenditure</b>  |               |                                       |                                      |                 |
| – net interest expense  | 10,263        | 322                                   | 63,410                               | 73,995          |
| <b>Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services</b>   | <b>28,510</b> | <b>905</b>                            | <b>111,110</b>                       | <b>140,525</b>  |
| <b>Other Post-Employment Benefits charged to the CIES</b>   |               |                                       |                                      |                 |
| Re-measurement of the net defined benefit liability and return on plan assets   | 13,931        | (695)                                 | (221,582)                            | (208,346)       |
| <b>Total Post Employment Benefit charged to the CIES</b>  | <b>42,441</b> | <b>210</b>                            | <b>(110,472)</b>                     | <b>(67,821)</b> |
| <b>MIRS</b>   |               |                                       |                                      |                 |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code. | (28,510)      | (905)                                 | (111,110)                            | (140,525)       |
| <b>Actual amount charged against the Police Fund Balance for pensions in the year</b>   |               |                                       |                                      |                 |
| – employers' contributions payable to the scheme  | 10,292        | 210                                   | 53,867                               | 64,369          |
| – benefits paid direct to beneficiaries   | 0             | 0                                     | 2,680                                | 2,680           |

## Notes to the Financial Statements

| 2018/19   | LGPS<br>£000  | LGPS<br>(PPL<br>element)<br>£000 | Police<br>Pension<br>Schemes<br>£000 | Total<br>£000  |
|---|---------------|----------------------------------|--------------------------------------|----------------|
| <b>CIES</b>   |               |                                  |                                      |                |
| <b>Cost of Services:</b>  |               |                                  |                                      |                |
| – current service costs   | 13,339        | 374                              | 38,280                               | 51,993         |
| – past service costs and gain/loss from settlements   | 6,456         | 0                                | 101,130                              | 107,586        |
| <b>Financing and Investment Income and Expenditure</b>  |               |                                  |                                      |                |
| – net interest expense  | 9,991         | 281                              | 60,340                               | 70,612         |
| <b>Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services</b> | <b>29,786</b> | <b>655</b>                       | <b>199,750</b>                       | <b>230,191</b> |
| <b>Other Post-Employment Benefits charged to the CIES</b>   |               |                                  |                                      |                |
| Re-measurement of the net defined benefit liability and return on plan assets                       | (1,987)       | (424)                            | 66,064                               | 63,653         |
| <b>Total Post Employment Benefit charged to the CIES</b>  | <b>27,799</b> | <b>231</b>                       | <b>265,814</b>                       | <b>293,844</b> |

|   |          |       |           |           |
|---|----------|-------|-----------|-----------|
| <b>MIRS</b>   |          |       |           |           |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code. | (29,786) | (655) | (199,750) | (230,191) |
| <b>Actual amount charged against the Police Fund Balance for pensions in the year</b>   |          |       |           |           |
| – employers' contributions payable to the scheme  | 10,900   | 231   | 56,084    | 67,215    |
| – benefits paid direct to beneficiaries   |          |       | 2,500     | 2,500     |

### Pensions assets and liabilities recognised in the balance sheets for the Chief Constable and the group

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

| 2019/20  | LGPS<br>£000     | LGPS<br>(PPL<br>element)<br>£000 | Police<br>Pension<br>Schemes<br>£000 | Total<br>£000      |
|--|------------------|----------------------------------|--------------------------------------|--------------------|
| Present value of the defined benefit obligation                    | (435,089)        | (12,692)                         | (2,416,641)                          | (2,864,422)        |
| Fair value of plan assets  | 255,597          | 12,692                           | 0                                    | 268,289            |
| <b>Net liabilities arising from the defined benefit obligation</b> | <b>(179,492)</b> | <b>0</b>                         | <b>(2,416,641)</b>                   | <b>(2,596,133)</b> |

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| 2018/19  | LGPS<br>£000     | LGPS<br>(PPL<br>element)<br>£000 | Police<br>Pension<br>Schemes<br>£000 | Total<br>£000      |
|--|------------------|----------------------------------|--------------------------------------|--------------------|
| Present value of the defined benefit obligation                    | (412,888)        | (11,658)                         | (2,583,660)                          | (3,008,206)        |
| Fair value of plan assets  | 265,545          | 11,658                           | 0                                    | 277,203            |
| <b>Net liabilities arising from the defined benefit obligation</b> | <b>(147,343)</b> | <b>0</b>                         | <b>(2,583,660)</b>                   | <b>(2,731,003)</b> |

### Reconciliation of present value of the scheme liabilities (defined benefit obligation) for the Chief Constable and the group

| 2019/20  | LGPS<br>£000     | LGPS<br>(PPL<br>element)<br>£000   | Police<br>Pension<br>Schemes<br>£000 | Total<br>£000      |
|--|------------------|------------------------------------|--------------------------------------|--------------------|
| <b>Opening balance at 1 April</b>                  | <b>(412,888)</b> | <b>(11,658)</b>                    | <b>(2,583,660)</b>                   | <b>(3,008,206)</b> |
| Current service cost                               | (14,724)         | (372)                              | (57,190)                             | (72,286)           |
| Interest cost                                      | (10,263)         | (322)                              | (63,410)                             | (73,995)           |
| Contributions by scheme participants               | (3,094)          | (82)                               | (9,860)                              | (13,036)           |
| Re-measurement of liabilities                      | 1,586            | 859                                | 220,739                              | 223,184            |
| Additional share of PPL liability (see note above) | 0                | (1,156)                            | 0                                    | (1,156)            |
| Benefits paid                                      | 7,817            | 250                                | 67,250                               | 75,317             |
| Past service costs                                 | (2,895)          | (211)                              | 9,490                                | 6,384              |
| Curtailments                                       | (628)            | 0                                  | 0                                    | (628)              |
| <b>Closing balance 31 March</b>                    | <b>(435,089)</b> | <b>(12,692)</b>                    | <b>(2,416,641)</b>                   | <b>(2,864,422)</b> |
| 2018/19  | LGPS<br>£000     | LGPS<br>(PPL ele-<br>ment)<br>£000 | Police<br>Pension<br>Schemes<br>£000 | Total<br>£000      |
| <b>Opening balance at 1 April</b>                  | <b>(373,150)</b> | <b>(10,470)</b>                    | <b>(2,376,431)</b>                   | <b>(2,760,051)</b> |
| Current service cost                               | (13,339)         | (374)                              | (38,280)                             | (51,993)           |
| Interest cost                                      | (9,991)          | (281)                              | (60,340)                             | (70,612)           |
| Contributions by scheme participants               | (2,925)          | (87)                               | (9,310)                              | (12,322)           |
| Re-measurement of liabilities                      | (16,182)         | (674)                              | (66,520)                             | (83,376)           |
| Benefits paid                                      | 9,155            | 228                                | 68,350                               | 77,733             |
| Past service costs                                 | (4,464)          | 0                                  | (101,130)                            | (105,594)          |
| Curtailments                                       | (1,992)          | 0                                  | 0                                    | (1,992)            |
| <b>Closing balance 31 March</b>                    | <b>(412,888)</b> | <b>(11,658)</b>                    | <b>(2,583,660)</b>                   | <b>(3,008,206)</b> |

Notes to the Financial Statements**Reconciliation of the movements in the fair value of the scheme assets for the Chief Constable and the group**

| Reconciliation of fair value of the scheme assets (LGPS)   | 2018/19<br>£000 | PPL<br>element<br>2018/19<br>£000 | Total<br>2018/19<br>£000 | 2019/20<br>£000 | PPL<br>element<br>2019/20<br>£000 | Total<br>2019/20<br>£000 |
|--|-----------------|-----------------------------------|--------------------------|-----------------|-----------------------------------|--------------------------|
| <b>Opening balance at 1 April</b>  | <b>242,706</b>  | <b>10,470</b>                     | <b>253,176</b>           | <b>265,545</b>  | <b>11,658</b>                     | <b>277,203</b>           |
| Interest income  | 6,659           | 284                               | 6,943                    | 6,748           | 325                               | 7,073                    |
| Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense | 11,683          | 819                               | 12,502                   | (22,077)        | (484)                             | (22,561)                 |
| Administration expenses  | (173)           | (5)                               | (178)                    | (188)           | (5)                               | (193)                    |
| Contributions by employer  | 10,900          | 231                               | 11,131                   | 10,292          | 210                               | 10,502                   |
| Contributions from employees into the scheme   | 2,925           | 87                                | 3,012                    | 3,094           | 82                                | 3,176                    |
| Additional share of PPL assets (see note above)  | 0               | 0                                 | 0                        | 0               | 1,156                             | 1,156                    |
| Benefits paid  | (9,155)         | (228)                             | (9,383)                  | (7,817)         | (250)                             | (8,067)                  |
| <b>Closing balance 31 March</b>  | <b>265,545</b>  | <b>11,658</b>                     | <b>277,203</b>           | <b>255,597</b>  | <b>12,692</b>                     | <b>268,289</b>           |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The Police Pension Scheme has no assets to cover its liabilities.

The liabilities show the underlying commitments that the Chief Constable and the Group has in the long run to pay post employment retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable and the Group remains healthy. The deficit on the LGPS 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 LGPS by the Group in the year to 31 March 2021 is £11.2m. Expected contributions for the Police Pension Schemes by the Chief Constable in the year to 31 March 2021 are £24.9m.

**Reconciliation of the re-measurement of the net defined benefit liabilities for the Chief Constable and the group**

The analysis of the re-measurement of the net defined benefit liabilities for 2019/20 is shown in the table below. The two actuaries concerned have different approaches in providing their respective analyses and the table below is therefore a composite analysis.



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| <b>2019/20</b>                     | <b>LGPS<br/>£000</b> | <b>LGPS (PPL<br/>element)<br/>2019/20<br/>£000</b> | <b>Police<br/>Pension<br/>Schemes<br/>£000</b> | <b>Total<br/>£000</b> |
|------------------------------------|----------------------|--|--|-----------------------|
| Changes in financial assumptions   | (1,733)              | (422)  | (93,832)                                       | (95,987)              |
| Changes in demographic assumptions | 0                    | 0  | (76,920)                                       | (76,920)              |
| Return on plan assets              | (6,748)              | (325)  | 0  | (7,073)               |
| Re-measurement of assets           | 22,265               | 489  | 0  | 22,754                |
| Experience gains and losses        | 147                  | (437)  | (50,370)                                       | (50,660)              |
| <b>Total re-measurement</b>        | <b>13,931</b>        | <b>(695)</b>                                       | <b>(221,122)</b>                               | <b>(207,886)</b>      |
| <b>2018/19</b>                     | <b>LGPS<br/>£000</b> | <b>LGPS (PPL<br/>element)<br/>2017/18<br/>£000</b> | <b>Police<br/>Pension<br/>Schemes<br/>£000</b> | <b>Total<br/>£000</b> |
| Changes in financial assumptions   | 28,032               | 674  | 71,824   | 100,530               |
| Changes in demographic assumptions | (11,850)             | 0  | 0  | (11,850)              |
| Return on plan assets              | (6,659)              | (284)  | 0  | (6,943)               |
| Re-measurement of assets           | (11,510)             | (814)  | 0  | (12,324)              |
| Experience gains and losses        | 0                    | 0  | (5,760)  | (5,760)               |
| <b>Total re-measurement</b>        | <b>(1,987)</b>       | <b>(424)</b>                                       | <b>66,064</b>                                  | <b>63,653</b>         |

**LGPS Assets**

The LGPS assets consist of the following categories, by proportion of the total assets held:

|                                   | <b>Total<br/>31 March 2019<br/>£000</b> | <b>Split of Assets<br/>between<br/>Investment<br/>categories<br/>%</b> | <b>Total<br/>31 March 2020<br/>£000</b> | <b>Split of Assets<br/>between<br/>Investment<br/>categories<br/>%</b> |
|-----------------------------------|---|--|---|--|
| Equities                          | 184,796                                 | 72   | 180,453                                 | 71   |
| Government Bonds                  | 20,818                                  | 8  | 18,659                                  | 7  |
| Other Bonds                       | 12,594                                  | 5  | 12,779                                  | 5  |
| Property                          | 16,191                                  | 6  | 14,825                                  | 6  |
| Alternatives-UK<br>Infrastructure | 16,706                                  | 7  | 27,348                                  | 10   |
| Cash-Liquidity                    | 5,911                                   | 2  | 1,533                                   | 1  |
| <b>Total Assets</b>               | <b>257,016</b>                          | <b>100</b>   | <b>255,597</b>                          | <b>100</b>   |

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit actuarial method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The assets and liabilities of the LGPS which is administered by Worcestershire County Council (County Council Fund) have been assessed by Mercer Ltd, an independent firm of actuaries,



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estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 **March 2019, projected forward to 31 March 2020**. The liabilities for the Police Pension Schemes have been assessed by the Government Actuary's Department. The principal assumptions used by the actuaries have been:

| 2018/19    |                        |  | 2019/20    |                        |
|------------|------------------------|--|------------|------------------------|
| LGPS       | Police Pension Schemes |  | LGPS       | Police Pension Schemes |
|            |                        | Mortality assumptions  |            |                        |
|            |                        | Longevity at 65 for current pensioners:                              |            |                        |
| 22.8 years | 22.7 years             | Men  | 22.6 years | 21.9 years             |
| 25.8 years | 24.3 years             | Women  | 25.0 years | 23.6 years             |
|            |                        | Longevity at 65 for future pensioners:                               |            |                        |
| 25.1 years | 24.6 years             | Men  | 24.2 years | 24.6 years             |
| 28.2 years | 26.2 years             | Women  | 27.0 years | 26.2 years             |
| 2.2%       | 2.35%                  | Rate of CPI inflation  | 2.1%       | 2.0%                   |
| 3.7%       | 4.35%                  | Rate of increase in salaries (long-term)                             | 3.6%       | 4.0%                   |
| n/a        | 1.0%                   | Rate of increase in salaries (short-term)                            | n/a        | 1.0%                   |
| 2.3%       | 2.35%                  | Rate of increase in pensions   | 2.2%       | 2.0%                   |
| 2.5%       | 2.45%                  | Rate for discounting scheme liabilities                              | 2.4%       | 2.25%                  |
| 50%        | 100%                   | Take-up of option to convert annual pension into retirement lump sum | 50%        | 100%                   |

Life expectancy is based on the Self Administered Pensions Scheme (SAPS) year of birth tables adjusted for specific characteristics of the membership of the two schemes.

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

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

|  | Impact on the Defined Benefit Obligation in the Scheme |                        |
|--|--|------------------------|
|  | Increase in assumption                                 | Decrease in assumption |
|  | £000   | £000                   |
| Longevity (increase or decrease in 1 year)                           | 262,240  | (262,240)              |
| Rate of inflation (increase or decrease by 1%) – Police staff only   | 188,086  | (188,086)              |
| Rate of increase in salaries (increase or decrease by 1%)            | 232,852  | (232,852)              |
| Rate of increase in pensions (increase or decrease by 1%) – PPS only | 378,000  | (378,000)              |
| Rate for discounting scheme liabilities (increase or decrease by 1%) | (302,939)  | 302,939                |

## Police Pension Fund Account

The Chief Constable administers the Police Pension Fund Account (the Account) on behalf of the PCC; amounts debited and credited to the Account are specified by legislation, the Police Pension Fund Regulations 2007 [Statutory Instrument 2007 No 1932], (the Regulations). In relation to the Account the use of the word 'Fund' should not be taken to mean the Police Pension Scheme is a funded scheme, as there are no assets or investments associated with the Account to provide for future benefits. Instead the purpose of the Account is to provide a basis for demonstrating the balance of cash based transactions taking place over the year and for identifying the arrangements needed to balance the account for that year.

| 2018/19  |                 |   | 2019/20  |                 |
|----------|-----------------|---|----------|-----------------|
| £000     | £000            |   | £000     | £000            |
|          |                 | <b>Contributions Receivable</b>   |          |                 |
|          |                 | From employer   |          |                 |
| (14,795) |                 | - Normal at 31% of pensionable pay (21.3% in 2018/19 - see below)   | (22,822) |                 |
| (797)    |                 | - Ill Health Capital Sum Income   | (476)    |                 |
| (9,315)  |                 | From members (serving police officers)  | (9,865)  |                 |
|          | <b>(24,907)</b> |   |          | <b>(33,163)</b> |
|          |                 |   |          |                 |
|          | <b>(133)</b>    | <b>Individual Transfers In from other schemes</b>   |          | <b>(379)</b>    |
|          |                 |   |          |                 |
|          |                 | <b>Benefits Payable</b>   |          |                 |
| 52,096   |                 | Pensions  | 54,257   |                 |
| 14,274   |                 | Commutations and Lump Sum retirement benefits   | 10,264   |                 |
| 0        |                 | Lump sum death benefits   | 90       |                 |
|          | <b>66,370</b>   |   |          | <b>64,611</b>   |
|          |                 |   |          |                 |
|          |                 | <b>Payments to and on account of leavers</b>  |          |                 |
| 6        |                 | Refunds of contributions  | 6        |                 |
| 3        |                 | Individual transfers out to other schemes   | 0        |                 |
|          | <b>9</b>        |   |          | <b>6</b>        |
|          | <b>41,339</b>   | <b>Sub-total for the year before transfer from the Group of amount equal to the deficit</b>   |          | <b>31,075</b>   |
|          |                 |   |          |                 |
|          | <b>(41,339)</b> | <b>Additional funding payable by the Group to meet deficit for the year</b>   |          | <b>(31,075)</b> |
|          |                 |   |          |                 |
|          | <b>0</b>        | <b>Net Amount Payable / Receivable for the year</b>   |          | <b>0</b>        |
|          |                 |   |          |                 |
|          | <b>2,013</b>    | <b>Adjustment of 2.9% to the cashflow in 2018/19 due to a reduction in the employer contribution rate from 24.2% to 21.3% that is reflected in a reduction in the Home Office Pensions Top Up funding</b> |          | <b>n/a</b>      |
|          | <b>(39,326)</b> | <b>Actual Home Office Top Up funding</b>  |          | <b>(31,075)</b> |

## Notes to the Police Pension Fund Account

The principles contained in the Regulations, which have been adopted in preparing the Account are as follows:

1. The Account collects the costs and income relating to retired police officers that are in receipt of pensions and income associated with serving police officers that are members of the Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) or the Police Pension Scheme 2015 (PPS). There are certain exceptions to this arrangement, such as pensions payable under the Police Injury Pension Regulations, which are charged directly to the Cost of Services in the CIES;
2. The Account is prepared on an accruals basis with the exception of accounting for lump sum transfer values to and from other pension schemes. Due to the unpredictable nature of transfer values they have been attributed to or transferred from the Account on a payment and receipts basis;
3. The annual cost of police pensions is met, in part, by contributions from the employer and serving police officers and other minor sources of income. Under the Police Pension Fund Regulations 2007, if the Account is in deficit an amount equal to the deficit is transferred from the Police Fund to meet the deficit; the cost to the Police Fund is subsequently reimbursed by the Home Office by way of the Pensions Top Up. Conversely, if the Account was to be in surplus, this would be transferred to the Police Fund and subsequently paid over to the Home Office;
4. The amounts due from the Home Office in respect of the shortfall on the Account is the responsibility of the Chief Constable and has therefore been included in the Chief Constable's (and the Group's) Balance Sheet;
5. This Account does not take account of long-term liabilities to pay future pension benefits after the year end, details of the Group's pension liability can be found in Note 20;
6. Employers' contributions, which are set by the Home Office subject to the Government Actuary's Department triennial valuation, are calculated at 31% of police officer pensionable pay from 1 April 2019 (21.3% in 2018/19). However, prior to 1 April 2019, the difference between the old employer contribution rate of 24.2% and the new rate was retained by the Exchequer, reducing Pensions Top Up as shown at the foot of the Pension Fund Account. In 2018/19 the force therefore budgeted as though there were an employer contribution rate of 24.2%;
7. Police officer contributions are deducted from officer salaries. The contribution rates were increased on 1 April 2012 to reflect the agreement reached between the Home Secretary and the Police Negotiating Board. Contribution rates range between 11.00% and 15.05% dependant on the range the police officer's salary falls into and whether the officer is a member of the OPPS, NPPS or PPS;
8. There are no related party transactions to the Account.

## Glossary of Terms

**Accounts and Audit (England) Regulations 2015** – The regulations that govern the preparation, approval and audit of statements of accounts and other accounting statements prepared in respect of the year ending 31 March 2016 onwards.

**Accounting Policies** – The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting the Statement of Accounts.

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

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

**Accumulated Absences Account** – This account holds the liability value of accumulated accrued absences (annual leave, time owing in lieu etc) that are due to employees at the end of the financial year.

**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.

**Amortisation** – The expensing of the acquisition cost minus the residual value of intangible assets in a systematic manner over their estimated useful economic lives.

**Amortised Cost** – The carrying amount of some financial 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 and buildings, vehicles, equipment and cash. These can be held over the long (non-current) or short (current) term.

**Billing Authority** – A local authority that, by statute, collects the council tax and national non-domestic rates and manages the Collection Fund.

**Budget** – A statement of the PCC's Policing Plan in financial terms for a specific financial year, which starts on 1 April and ends on 31 March. A budget is prepared and approved by the PCC before the start of each financial year.

**Capital Adjustment Account** – An account that manages the timing differences between the amounts that have been set aside for capital expenditure, which are not aligned with the charges made for assets such as depreciation, revaluation and impairment, along with the amortisation of intangible assets.

## Glossary of Terms

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**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 for capital projects.

**Capital Grant** – A grant from central government used to finance specific schemes in the capital programme.

**Capital Programme** – The plan of capital projects and future spending on purchasing land, buildings, vehicles, IT and equipment.

**Capital Receipts** – The proceeds from the sale of an asset, which may be used to finance capital expenditure or to repay outstanding loan debt.

**Cash** – Cash in hand and held at the bank in on-demand deposits.

**Cash Equivalents** – Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Cash Flows** – Inflows and outflows of cash and cash equivalents.

**Chief Constable** – Chief Constable is the rank used by the chief police officer of a territorial police force, who has overall responsibility for the day to day operational direction and control of the Force. The Chief Constable has ultimate statutory responsibility for maintaining the Queen's peace.

**CIPFA** – The Chartered Institute of Public Finance and Accountancy is the body that oversees financial standards and financial reporting in public organisations. It is also the professional body for accountants working in the public services.

**Code of Practice on Local Authority Accounting in the United Kingdom (The Code)** – The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Standards Committee, except where these are inconsistent with specific statutory requirements. The Code specifies the principles and practices, sets out the accounting requirements for local authorities and is based on International Financial Reporting Standards (IFRS).

**Collection Fund Adjustment Account** – The account that manages the differences arising from the recognition of council tax income as it falls due from taxpayers compared to the statutory arrangements for receiving amounts from the billing authorities.

**Comprehensive Income and Expenditure Statement** - The total of income less expenditure, including other comprehensive income and expenditure items, presented in the CIES and prepared in accordance with IFRS as set out in the Code.

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

**Corporation Sole** – this a legal entity consisting of a single incorporated office, occupied by a sole person. This allows corporations to pass from one office holder to the next successor-in-office, giving the positions legal continuity with subsequent office holders having identical powers to their predecessors.

## Glossary of Terms

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**Council Tax** – The local tax levied on householders, based on the relative market values of property, which helps to fund local services including the police.

**Creditors** – Individuals or organisations to which the Chief Constable owes money at the end of the financial year.

**Current Assets** – These are assets which can either be converted to cash or used to pay current liabilities within 12 months. Typical current assets include cash, cash equivalents, short-term investments, debtors and stock.

**Current Liabilities** – These are liabilities that are to be settled within 12 months. Typical current liabilities include creditors and loan payments due within 12 months.

**Current Service Costs (Pensions)** – The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employees' service in the current period.

**Curtailment Costs** – Costs that arise when many employees transfer out of the pension scheme at the same time, such as when an organisation transfers its members to another scheme. The cost represents the value of the pensions rights accrued by the transferring staff.

**Debtors** – Individuals or organisations who owe the Chief Constable money at the end of the financial year.

**Defined Benefit Scheme** – A pension scheme which defines the benefits paid to individuals 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 or consumed during the financial year, which is charged to the Comprehensive Income and Expenditure Statement.

**Disclosure** – Information that must be shown in the accounts under the CIPFA Code of Practice.

**Discretionary Benefits** – Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the PCC's discretionary powers.

**Earmarked Reserves** – Monies set aside that are intended to be used for a specific purpose and held in the Balance Sheet.

**Exit Packages** – Payments such as redundancy payments, either voluntary or compulsory, or early retirement payments made to employees leaving the Group before their due retirement dates.

**Fair Value** – The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Financial Instruments** – The borrowings and investments disclosed in the Balance Sheet, consisting of loans and investments.

## Glossary of Terms

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**Finance Leases and Operating Leases** – A Finance lease transfers all of the risks and rewards of ownership of a non-current asset to the lessee. If these leases are used, the assets acquired have to be included within the non-current 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 Reporting Standards (FRS)** – Recommendations on the treatment of certain items within the accounts.

**Financing Activities** – Activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

**Financial Management Code of Practice for the Police Services of England and Wales 2012** – The Financial Management Code of Practice provides clarity around the financial governance arrangements within the police service in England and Wales, and reflects the fact that the police service has a key statutory duty to secure value for money in the use of public funds.

**Financial Year** – The period of twelve months for the accounts, from 1 April to 31 March.

**General Fund** – The main account into which income is received into and expenditure is paid from.

**General Reserves** – Funds set aside to be used in the future.

**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 the PCC in return for past or future compliance with certain conditions relating to the activities of the PCC.

**Gross Spending** – The costs of providing services before allowing for government grants and other income.

**Group Accounts** – The financial statements that combine the accounts for the PCC and the Chief Constable, that show the performance of the Group as if it was a single entity.

**Home Office Grant (Pensions)** – If there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year, the Home Office will fund the deficit by way of a grant.

**Impairment** – The amount by which the recoverable value of an asset falls below its carrying (or book) value.

**Intangible Asset** – A non-physical non-current asset, e.g. computer software.

**Interest Income** – The money earned from investing activities, typically the investment of surplus cash.

**International Accounting Standards Board (IASB)** – This is the independent, accounting standard-setting body, which is responsible for developing International Financial Reporting Standards and promoting the use and application of these standards.



## Glossary of Terms

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**International Financial Reporting Standards (IFRS) & International Accounting Standards (IAS)** – The accounting rules and principles, adopted by the International Accounting Standards Board, on which the Statement of Accounts is based. The Code is prepared in accordance with the IFRS.

**Inventories** – Assets acquired in the form of materials or supplies to be held for consumption in the future delivery of policing services.

**Investing Activities** – The buying and selling of long-term assets and investments that are not cash equivalents.

**Investment Properties** – Property assets that are used solely to earn rentals and/or for capital appreciation.

**Jointly Controlled Operations** - Activities undertaken by the Chief Constable and/or the PCC that are jointly controlled with other organisations. The jointly controlled operation does not give rise to the creation of a separate entity.

**Liabilities** – Amounts that are due to be settled by the PCC in the future, which includes Current Liabilities and Long Term Liabilities.

**Major Precepting Authority** – Authorities that make a precept on the billing authority's collection fund, e.g. County Councils and Police and Crime Commissioners.

**Materiality** – Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of financial statements. Materiality depends on the nature or size of the item omission or misstatement judged in the surrounding circumstances.

**Minimum Revenue Provision (MRP)** – The statutory minimum amount that is required to be set aside on an annual basis as a provision to repay debt.

**National Non-Domestic Rates (NNDR)** – The national 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 according to resident population.

**Net Book Value** – The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current values less the cumulative amounts provided for depreciation.

**Non-Current Assets (Fixed Assets)** – These are tangible assets that have long-term benefits over a period of more than one year.

**Notes to the Accounts** – The notes contain information in addition to that presented in the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement.

**Operating Activities** – The activities of the entity that are its normal activities, excluding its investment and financing activities.



## Glossary of Terms

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**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 but 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 on or after 1 April.

**Pension Fund** – The fund that makes pension payments following the retirement of its participants.

**Pensions Expected Rate of Return on 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.

**Pensions Interest Costs** – For a defined benefit scheme, the expected increase during the period at the present value of the scheme liabilities because the benefits are one period closer to settlement.

**Pensions Reserve** – A non-cashable reserve used to reconcile payments made for the year to various statutory pension schemes and the net change in the recognised liability under IAS19 for the same period.

**Police and Crime Commissioner (the PCC)** – an elected representative charged with securing efficient and effective policing of a police area in England and Wales. PCCs replaced the now abolished Police Authorities from 2012.

**Police Act 1996** – An Act of the Parliament of the United Kingdom which defined the current police areas in England and Wales, constituted the Police Authorities for those areas (now superseded by PCCs), and set out the relationship between the Home Secretary and the English and Welsh territorial police forces.

**Police and Crime Panel** – The Police Reform and Social Responsibility Act 2011 established Police and Crime Panels within each force area in England and Wales. The panel is responsible for scrutinising PCCs' decisions; they also review the Police and Crime Plan and have a right of veto over the precept.

**Police and Crime Plan** - The Police Reform and Social Responsibility Act 2011 introduces a duty on the PCC to prepare a Police and Crime Plan which should determine, direct and communicate their priorities during their period in office.

**Police Fund Balance** - The Police Fund Balance is the statutory fund into which all the receipts of the PCC are required to be paid and out of which all liabilities of the PCC are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the Police Fund, which is not necessarily in accordance with proper accounting practice. The Police Fund Balance therefore summarises the resources that the PCC is statutorily empowered to spend on his services or on capital investment.

## Glossary of Terms

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**Police Principal Grant** – This is part of the total specific government grant support for police services. The amount is determined annually by the Home Office on a formula basis.

**Police Reform and Social Responsibility Act 2011** – this is an Act of the Parliament of the United Kingdom. It transfers the control of police forces from Police Authorities to elected PCCs. The first PCC elections were held in November 2012, and will be held every four years thereafter.

**Precept** – The amount of council tax that the PCC, as a major precepting authority, has instructed the billing authorities to collect and pay over in order to finance its net expenditure.

**Provisions** – The amounts set aside to provide for liabilities that are likely to be incurred, but the exact amount and the date on which it will arise is uncertain.

**Public Works Loan Board (PWLB)** – A statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury, which provides long-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**Receipts in Advance** – These represent income received prior to 31 March for supplies and services provided by the Authority on or after 1 April.

**Reimbursements** – Payments received for the work carried out for other public organisations, e.g. the government.

**Related Parties** – Bodies or individuals that have the potential to control or influence the Chief Constable and/or the PCC.

**Reserves** – Monies set aside by the PCC that do not fall within the definition of provisions. Reserves held for specific purposes are known as earmarked reserves.

**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 non-current assets held by the PCC arising from increases in value. It is charged with the part of the depreciation charge for the asset which relates 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, general running expenses and debt charges. These costs are met from the Council Tax, Government Grants, fees and charges.

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)** – Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset. These costs may be charged as expenditure to the relevant service in the CIES in the year.

**Scheme Liabilities (Pensions)** – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method to reflect the benefits that are committed to be provided for service up to the valuation date.

## Glossary of Terms

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**Scheme of Delegation and Consent, Financial and Contract Regulations 2012/13** – The Scheme of Delegation and Consent details the key roles of the PCC and those functions that they designate to the Chief Executive, Treasurer, the Chief Constable and, if appointed, the Deputy PCC. The scheme also provides a framework to ensure that business is carried out efficiently, ensuring that decisions are not unnecessarily delayed. The Financial and Contract Regulations establish overarching financial responsibilities; confer duties, rights and powers upon the PCC, the Chief Constable and their officers providing clarity about the financial accountability of groups or individuals. They apply to every member and officer of the service and anyone acting on their behalf.

**Specific Grant** – Payments from the government to cover Local Authority spending on a particular service or project. Specific grants are usually a fixed percentage of the cost of a service or project and have strict rules detailing eligible expenditure.

**(Strategic) Alliance** – The alliance formed by Warwickshire Police and West Mercia Police to use their combined resources to deliver all policing services to the people and communities of Herefordshire, Shropshire, Telford & Wrekin, Warwickshire and Worcestershire.

**Surplus or Deficit on the Provision of Services** – The total of income less expenditure, excluding the components of Other Comprehensive Income and Expenditure. Presented in the Comprehensive Income and Expenditure Statement in accordance with IFRS as set out in the Code.

**Tangible Non-current Assets** – Physical non-current assets, e.g. land, buildings, vehicles and equipment held for a period of over one year.

**Taxation and Non-Specific Grant Income** – Council Tax and all grants and contributions recognised in the financial year.

**Telling the Story** – CIPFA's review of the presentation of Public Sector financial statements. The CIES now reflects the way that organisation's operate and manage services.

**Transfer Value** – A sum of money transferred between pension schemes to provide an individual with entitlement to benefits under the pension scheme to which the transfer is made.

## **APPENDIX 1**

### **Chief Constable of West Mercia Police Annual Governance Statement 2019/20**