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Chief Constable of West Mercia Police

Statement of Accounts

2020/21

THE CHIEF CONSTABLE OF WEST MERCIA POLICE

STATEMENT OF ACCOUNTS 2020/21

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Narrative Report

Message from Anthony Bangham, Chief Constable of West Mercia Police

“The COVID-19 global pandemic has seen policing and, of course, our communities, face challenges like never before. However as we faced these challenges, our priority throughout has continued to be to protect people from harm.

We have worked hard throughout the various lockdowns and legislation changes to engage, explain and encourage our communities to work with us to protect the NHS and save lives. Only as a last resort have we used enforcement and I would like to thank the vast majority of those living within our force area for their cooperation through what has been a very difficult time for all of us.

We continue to focus on our three core priorities: Safer Homes, Safer People and Safer Roads. Our ambition is to provide a service of which you, and we, can be proud. In order to help achieve that ambition, we recently launched our new Local Policing Community Charter. The Charter outlines our ongoing commitment to improving our local policing delivery and providing a service that communities both expect and deserve. It will help us to enhance links with local people, while playing our part in the broader effort to tackle the concerns and challenges facing communities.

Prevention will be at the heart of our work, through well-informed collaborative problem-solving, building participation with, and strengthening the links to the communities we serve. We will remain part of those communities, known and accessible to you, and policing in a way that both prevents harm and enhances your trust in us.

Our work is supported by continued investment by the Police and Crime Commissioner and the Government in recruiting more officers. 93 additional officers joined us in the past year, with 308 additional officers recruited to West Mercia Police since 2019. We now have a total of 2,238 full-time equivalent officers working in a range of roles across Herefordshire, Worcestershire and Shropshire - our highest level for a decade.

We may be unsure of some of the challenges we face going forward as a result of the pandemic but our commitment will always be to flex and respond to the changes in the nature of crime and demand.

We will use all the assets, skills, technologies, partnerships and people available to us to keep you safe in your neighbourhood, in your homes and on the roads in order to deliver an excellent service to our communities.”

Anthony Bangham

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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, 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 (such as Covid-19); 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, with mitigations 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. A full copy of the Police and Crime Plan can be found on the PCC's website.

The Police and Crime Panel (PCP), composed of locally elected councillors and lay members, scrutinises the actions and decisions of the PCC, including the Police and Crime Plan, the budget and the 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. Further details on the role, responsibility and powers of the PCP can also be found on the PCC's website.

The vision, values and policing priorities for West Mercia Police 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.

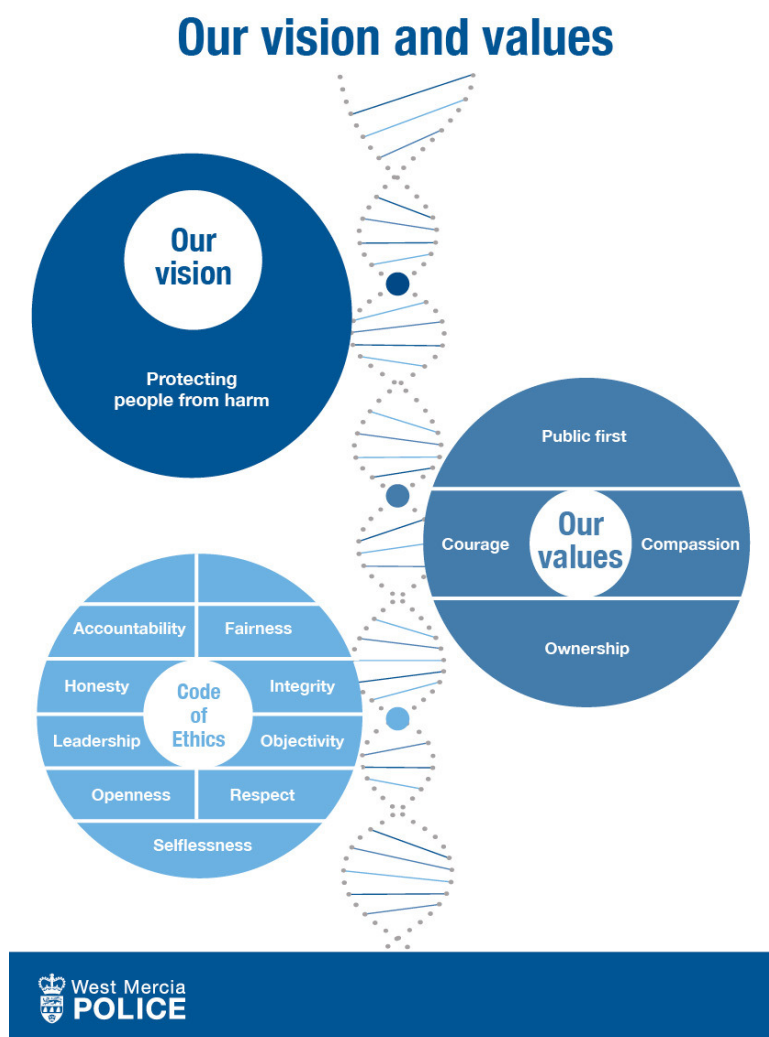
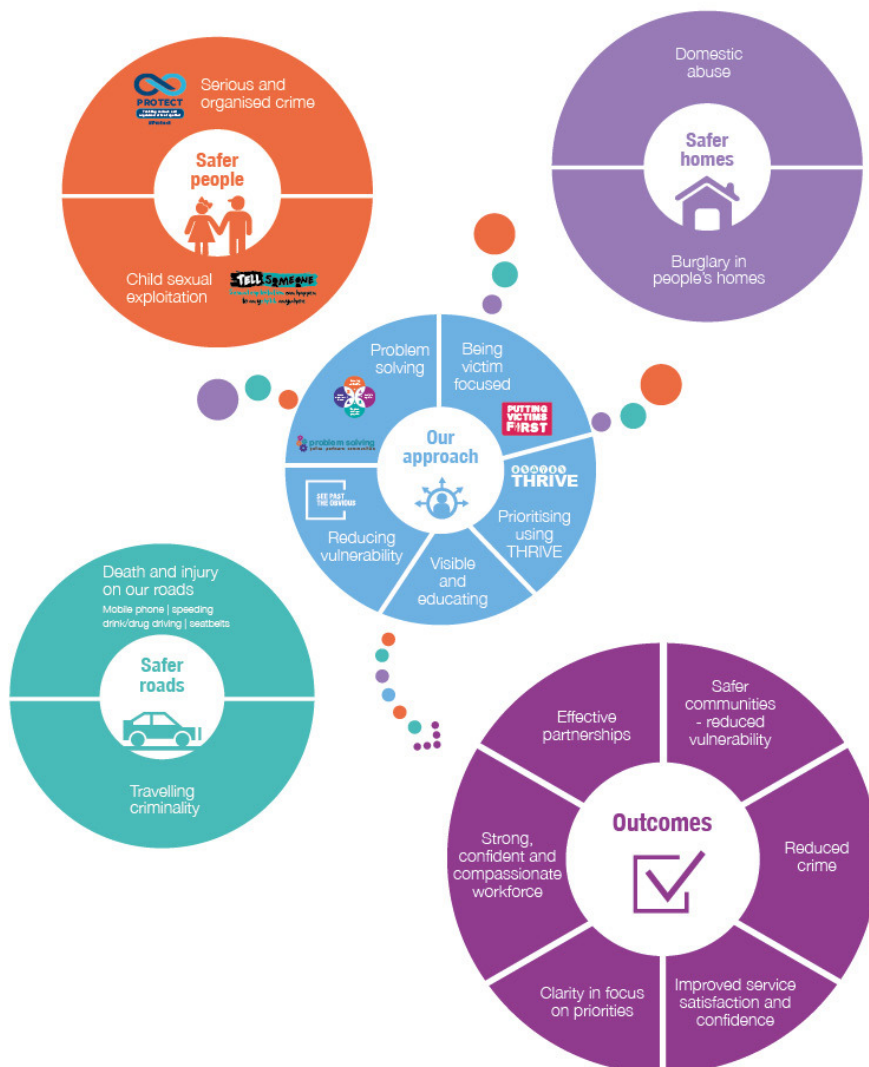


Diagram 2.

Diagram 2 shows the policing priorities 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 Business Services.

Our policing priorities



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

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- 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 | 2,287 | 2.90 | 33.20 | 66.80 |
| PCSOs | 211 | 2.80 | 51.70 | 48.30 |
| Police Staff | 1,819 | 2.70 | 64.40 | 35.60 |
| Total | 4,317 | 2.80 | 49.77 | 50.23 |

The PCC and Chief Constable each have a Risk Strategy in place to ensure that the risks facing the force and the PCC's office are effectively and appropriately identified, evaluated and reported. 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;
- ICT capacity and capability - infrastructure and systems are being reviewed and updated to ensure that this critical resource and enabler can facilitate change in operational policing and other support functions.

Section 2. Financial Performance

Revenue Outturn

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.

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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 2020/21 (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. Table 2 below analyses how the budget is funded.

The most significant event effecting 2020/21 has been the impact of the COVID-19 Pandemic. It has affected all areas of public life which has had a significant impact on policing. With national lockdowns reducing crimes such as burglary and vehicle related crime and increased issues around domestic abuse. It also meant that forces had to respond to policing the national restrictions. All of this was in the context of ensuring officers were able to do this safely and moving many of our functions to a remote working model.

Operation Heracles was set up to manage and respond to the impact of the pandemic on West Mercia Police, making sure that the force could respond to the changing legalisation, particularly the policing of lockdowns as well as ensuring officers were able to do their job safely and with the appropriate safety equipment. Operation Heracles will continue to be the control mechanism to ensure that the Force can carry out their Statutory Duties effectively and comprehensively throughout the period of restrictions.

Table 3. The PCC and Chief Constable Outturn for year ended 31 March 2021

| West Mercia Police | Budget £m | Budget Adjustments £m | Revised Budget £m | Actual £m | Variance £m |
|------------------------------|----------------------|--------------------------------------|----------------------------------|----------------------|------------------------|
| Police officers' pay | 120.396 | 0.062 | 120.458 | 121.116 | (0.658) |
| Police officers' overtime | 2.081 | 0.592 | 2.673 | 3.908 | (1.235) |
| Police staff pay | 65.135 | 1.725 | 66.860 | 65.605 | 1.255 |
| Police staff overtime | 0.534 | 0.037 | 0.571 | 0.794 | (0.223) |
| PCSO pay | 7.484 | 0.000 | 7.484 | 7.415 | 0.069 |
| Police pensions | 3.819 | 0.000 | 3.819 | 3.588 | 0.231 |
| Other Employee Expenses | 1.195 | 0.000 | 1.195 | 1.895 | (0.700) |
| Premises | 8.444 | 0.000 | 8.444 | 8.476 | (0.032) |
| Transport | 4.301 | (0.046) | 4.255 | 4.070 | 0.185 |
| Supplies & Services | 32.095 | (1.278) | 30.817 | 28.277 | 2.540 |
| Third Party Payments | 17.967 | (2.140) | 15.827 | 17.628 | (1.801) |
| Capital Financing | 3.574 | 0.050 | 3.624 | 3.219 | 0.405 |
| Expenditure | 267.025 | (0.998) | 266.027 | 265.991 | 0.036 |
| Income | (31.220) | (0.582) | (31.802) | (31.981) | 0.179 |
| Net Expenditure | 235.805 | (1.580) | 234.225 | 234.010 | 0.215 |
| Reserves utilised | (2.784) | 1.580 | (1.204) | (1.537) | 0.333 |
| External Funding | (233.021) | 0.000 | (233.021) | (233.354) | 0.333 |
| PCC and Force Outturn | 0.000 | 0.000 | 0.000 | (0.881) | 0.881 |

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| | Budget £m | Budget Adjustments £m | Revised Budget £m | Actual £m | Variance £m |
|--------------------------------------|----------------|-----------------------------|-------------------------|----------------|----------------|
| Chief Constable | 216.315 | 1.762 | 218.077 | 218.463 | (0.386) |
| Office of the PCC | 19.490 | (3.342) | 16.148 | 14.881 | 1.267 |
| Group Outturn Expenditure | 235.805 | (1.580) | 234.225 | 233.344 | 0.881 |

West Mercia's net expenditure in 2020/21 was £234.010m. There was a further £0.666m of transfers approved by the PCC during the year to reach the outturn position of £233.344m. The £1.537m of net reserves utilised shown in Table 3 above is after transferring the additional grant income of £0.333m to reserves.

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

Police Officer Pay – Overspend of £0.658m

- The profile of recruitment of students and transferees were different than the budget assumption. There was also less turnover of staff during the year, possibly relating to Covid-19 which meant that assumed budget savings from vacancies were not achieved.

Police Officer overtime – Overspend of £1.236m

- Overtime has exceeded the budget due to specific major operations, of which additional income can be claimed to offset some of the costs. The workload requirements of officers, impact of bank holidays and the pandemic are all factors that caused the budget pressures in year.

Police Staff Pay – Underspend of £1.255m

- The underspend is influenced by the deliberate pull back on fixed term appointments to achieve the savings target of £0.217m and also on holding vacancies in the latter part of the year to assist in reducing a potential year end overspend which had been forecast in December 2020.

Other Employee Expenses (incl. police pensions) – overspend of £0.700m

- Redundancy and actuarial strain payments were £0.756m in the year. This relates to the ending of the Alliance agreement with Warwickshire and the closure of the PPL Estates Service. There was no allowance for these types of costs included in the budget.

Supplies and Services – Underspend of £2.540m

- £3.178m of this variance falls within Digital services and represents savings from expenditure restraint during the last 3 months of the year as part of Force wide initiative to control the budget pressures identified above. There was some

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indication that the original forecast had not recognised all costs which would be recharged to third parties.

- £1.048m relates to Operation Heracles (COVID) spend which is offset by additional income.

Third Party Payments – Overspend of £1.801m

- A large part of this variance is the payment to Warwickshire for staff costs relating to individuals remaining on Warwickshire contracts at £1.403m. The annual national IT charges from the Home Office were also £0.248m more than expected.

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.

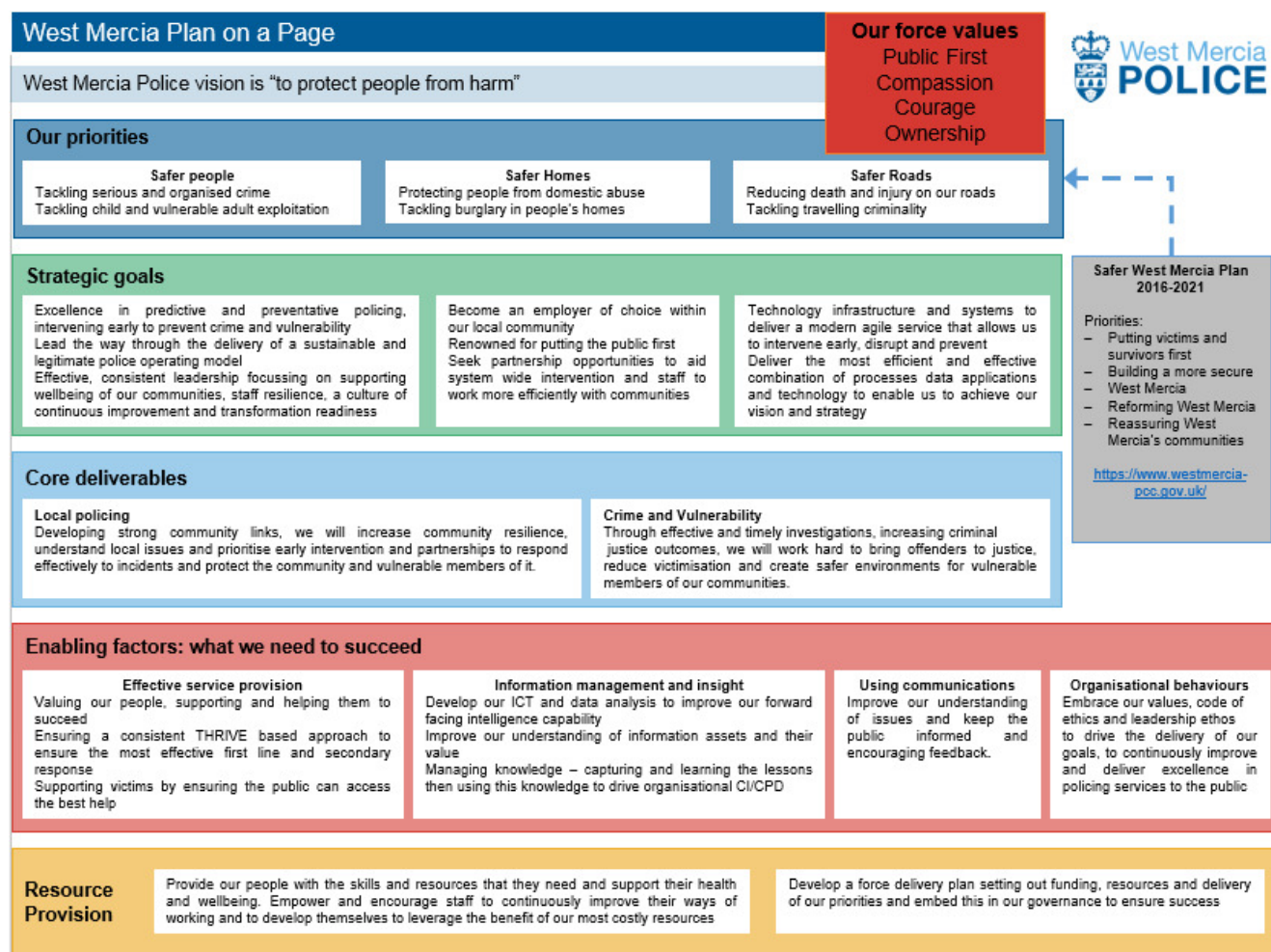
The capital outturn position, borrowing and reserves are explained in the narrative report section of the Group and PCC Accounts and the accompanying notes.

Section 3. 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.

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Diagram 3.



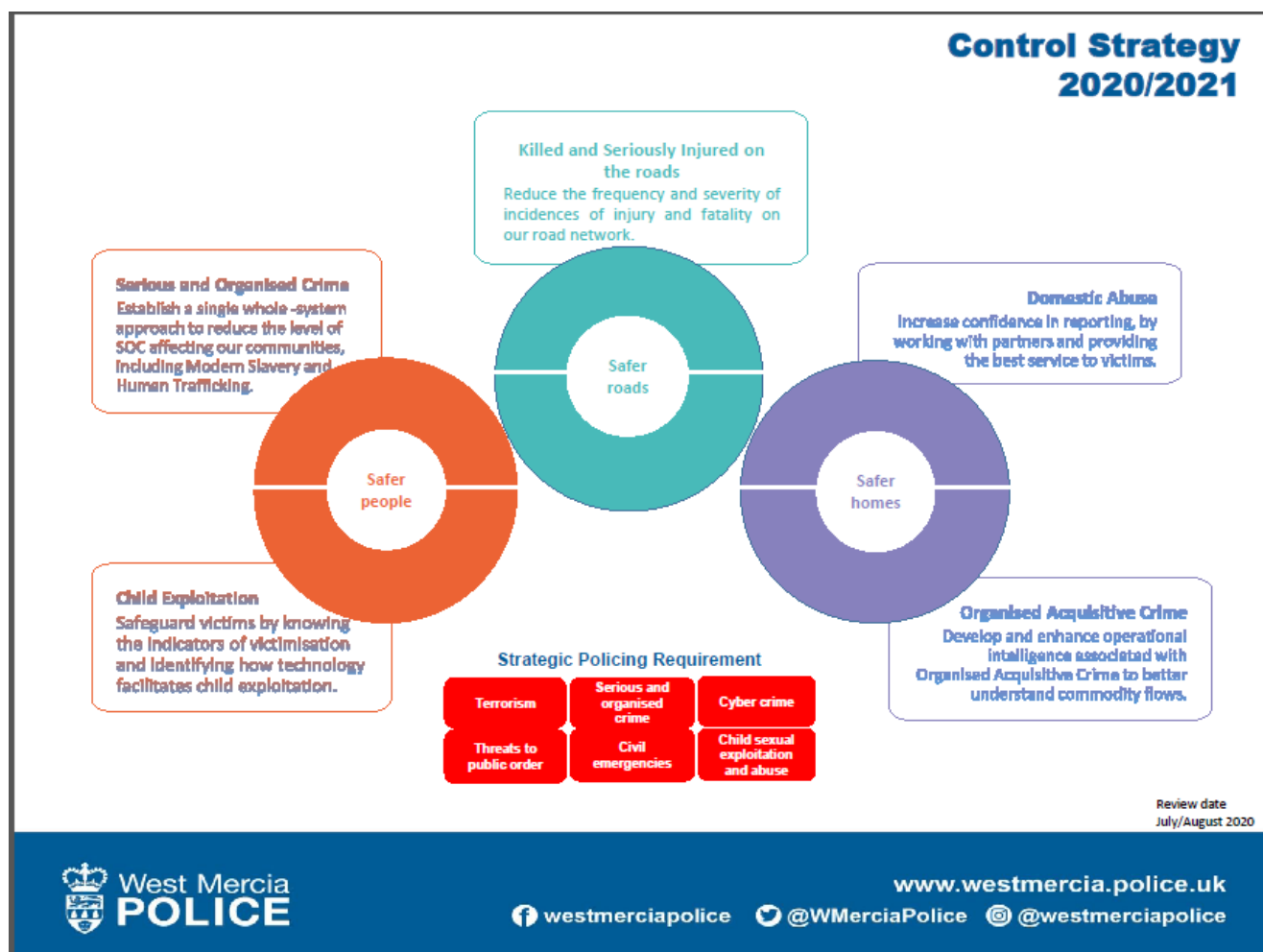
As an integral part of the performance framework day to day performance is monitored through the performance dashboard on the force intranet, which is updated daily across a range of crime areas. The information provided by the dashboard is used to take corrective action to address emerging issues and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

Diagram 4 shows the Control Strategy that is in place:

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Diagram 4.



West Mercia 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.

Table 3 is a summary of our performance for 2020/21 against the various categories of crime. The pandemic has had a considerable impact on crime trends since the end of March 2020 when the first lockdown period began. Significant reductions in crime have been seen across the majority of crime types. Crime reporting and recording volumes reduced most significantly during periods of national lockdown (1st lockdown March 2020; 2nd lockdown

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November 2020; 3rd lockdown January 2021). Patterns and volumes of offending subsequently increase each time national restrictions have been eased.

Table 5. Policing performance 2020/21

| | Volume | | Change | Change over Police & Crime Plan |
|--|---------|---------|--------|---------------------------------|
| | 2020/21 | 2019/20 | % | % |
| Homicide | 21 | 11 | 91% | 50% |
| Violence Against the Person with Injury | 8,902 | 11,134 | -20% | -13% |
| Violence Against the Person without Injury | 22,566 | 23,321 | -3% | 37% |
| Rape | 1,168 | 1,227 | -5% | 9% |
| Other Sexual Offences | 1,958 | 2,167 | -10% | -4% |
| Business Robbery | 28 | 59 | -53% | -57% |
| Personal Robbery | 448 | 593 | -24% | -13% |
| Domestic Burglary | 1,870 | 2,718 | -31% | -39% |
| Burglary – Business & Community | 2,777 | 3,861 | -28% | -47% |
| Vehicle Offences | 3,398 | 5,280 | -36% | -40% |
| Theft from person | 313 | 730 | -57% | -54% |
| Bicycle Theft | 838 | 824 | 2% | -23% |
| Shoplifting | 4,961 | 7,611 | -35% | -27% |
| All other theft offences | 5,594 | 7,973 | -30% | -36% |
| Criminal Damage and Arson | 7,809 | 9,594 | -19% | -23% |
| Drug Offences | 2,731 | 2,293 | 19% | 13% |
| Possession of Weapons | 805 | 949 | -15% | 23% |
| Public Order Offences | 5,117 | 5,407 | -5% | 22% |
| Other Recorded Crime | 1,467 | 1,376 | 7% | -7% |

Of all crime types, high volume low harm acquisitive offences have seen the steepest decline in recording during the year. Theft from person offences declined by 57%, shoplifting offences declined by 35%; vehicle offences declined by 35%, and 'other' theft offences declined by 30%. Notable reductions in recording have also been seen for high harm offences which impact on communities including a 53% reduction in business robbery, a 31% reduction in residential burglaries and a 20% reduction in violence with injury.

The exceptions to falling crime volumes in 2020/21 include vulnerable adult offences, drug offences, cyber-crime and antisocial behaviour (ASB). Analysis also suggests an increase in stalking and harassment offences during this period; much of which was committed online. Cyber enabled stalking offences have increased by almost 600% this year (an additional 412 offences) compared to the previous year. Whilst volumes remain relatively low, there has been an increase in homicide offences (21 offences in 2020/21 compared to an average of 13 homicides for the last 3 years). These major and complex crimes have a significant impact on the organisation in terms of capacity and resources.

Initially the volume of domestic abuse crimes reduced followed by a steady increase back to levels reported prior to the pandemic. There has been a 4% increase comparing the first 7

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months of 2020/21 to the same period in the previous year. Many victims of domestic abuse will have undoubtedly faced a deeply traumatic experience during lockdown. The additional funding secured during the pandemic is making sure that we're doing the very best we can for victims and survivors during these times.

Section 4. 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 independent inspection programme and assessment of the force's performance.

The force inspection programme is known as PEEL (Police Effectiveness, Efficiency and Legitimacy). The last West Mercia PEEL report was issued in September 2019 looking at performance during 2018/19 and covered 3 specific areas:

| Inspection Theme | Review Criteria | Assessment |
|------------------|---|----------------------|
| Effectiveness | how effective are the force at keeping people safe and reducing crime | Requires Improvement |
| Efficiency | does the force provide value for money | Requires Improvement |
| Legitimacy | treating people with fairness and respect | Requires Improvement |

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.

HMICFRS announced after the publication of the 2018/19 PEEL reports that they would be moving to an intelligence led continuous inspection model. As part of the new approach they will use all of the evidence they have, including: Force Management Statements (FMS); findings from thematic inspections; crime data integrity findings; progress against causes of concern and areas for improvement; and Force Liaison Lead (FLL) knowledge and insight. The areas inspected in PEEL remain broadly the same in the new regime, but have been revised to better reflect current areas of concern and priorities, and are more clearly aligned to FMS. Each question area now look at effectiveness, efficiency and legitimacy, rather than dealing with these in separate pillars.

Covid impacted on HMICFRS's inspection programme so the next PEEL inspection report on West Mercia will not be issued until January 2022. During 2021 there are a number of insight visits on specialist areas (all held virtually) to inform an inspection visit in September 2021

Full details of the HMICFRS inspections, along with the response from the PCC can be found at:-

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<https://www.westmercia-pcc.gov.uk/financial-information/performance-information/performance-information-hmicfrs/>

To deliver the Commissioner's commitments around building a more secure and reformed West Mercia, whilst ensuring that the burden on the taxpayer is kept to a minimum, there have been significant structural changes to the West Mercia operating model as a result of the end of the collaboration agreement with Warwickshire Police. 2020/21 was the first year since the formal end of the alliance agreement allowing decisions to be taken with full control over policing resources and control over their use, as well as general service improvements. During 2020/21 collaboration has continued in four areas – ICT, Forensics, Business Services and Property Storage. Forensics and Business Services arrangements will come to an end during 2021/22. The other two have been put on a new footing for future years, with West Mercia and Warwickshire having signed a new S22a agreement for IT services to take effect from 1st October 2021..

Key areas of investment have been in transformation across ICT with the focus on digital services and forensics. There is a 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. This transformation programme is a multi-year investment programme and further opportunities to deliver more efficiencies will be realised with the formalisation of new service arrangements with Warwickshire and the focus of operational activities therefore solely on West Mercia.

Throughout 2020/21, the Change and Transformation Board, 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.

The Estates Services has been redesigned following the decision of Worcestershire County Council to withdraw from Place Partnership Limited. The PCC has taken control of the Estates Service, with the approval of a Business Case in December 2020 to bring the service in house from April 2021. This decision was taken to develop and implement a more responsive, efficient and effective estates service for the Police and Fire and Rescue Services. A revised Estates Strategy will be developed and implementation will begin during 2021/22. Alongside the improvements to service this new solution should bring, it will also deliver financial benefits for West Mercia's communities, which again will allow resources to be redirected towards key priorities.

Section 5. 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 2021/22 budget the PCC has regard to:

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- The past and current impact of the global pandemic and its likely effect over the coming years.
- National targets and objectives including the officer uplift programme and Strategic Policing Requirement
- Priorities within the Safer West Mercia Plan
- The outcome of public consultation
- Plans and policies of other partner agencies relating to community safety and crime reduction
- Government policy on public spending, as set out by the Chancellor in the Autumn Spending Review 2021/22 and 2021/22 provisional grant settlement which was issued on 17th December and confirmed on 4th February 2021, and the funding framework that arises from them
- Medium term financial obligations
- Prudent management of financial reserves
- The constant drive for continuous improvement and value for money
- The development of future collaborative arrangements and the risks involved
- The major investigation into allegations of manslaughter and corporate manslaughter at Shrewsbury and Telford Hospitals NHS Trust.

The PCC agreed a 2021/22 net revenue budget of £245.039m which includes contribution to reserves of £0.201m resulting in a budget requirement of £244.838m. The budget is funded by £138.202m of government funding, which has increased by £7.484m compared to 2020/21. The remaining funding, £107.281m, comes from the council tax through the precept, which was increased by 6.6% in 2021/22. Due to the impact of the pandemic Local Authorities are reporting a deficit on Collection Fund Balances which means that West Mercia has had to contribute £0.444m to cover the deficit in 2021/22.

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. Progress continues to be made during 2020/21, albeit in the shadow of the challenges presented by Covid19, to ensure West Mercia Police can deliver the best possible service and value to the public.

2020/21 has seen:

- Significant investment in ICT and digital services, to ensure fit-for-purpose resources
- The implementation of the 'Services to Policing' Review has brought efficiency savings and improvements to business processes and systems.
- A review of estates services has been undertaken and new arrangements are being implemented. The Police and Crime Commissioner is working in partnership to create a joint estates service. This new estates service will deliver efficiencies whilst creating an improved bespoke service for both emergency services
- Financial management and budgetary control has been reviewed and is being strengthened, particularly focused on Priority Based Planning in 2021/22

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- Reforms around police complaints have been successfully implemented by the PCC. Where previously the police would review their own handling of complaints, the decision was taken to move this function to PCCs in most cases, giving a much greater degree of separation and independence to reviews.

In setting the 2021/22 budget, the PCC recognised the unavoidable pressures policing faces, including general inflationary pressures. The assumption is that there will be a wages freeze in the public sector, with the exception of the NHS, however there is a commitment to support the governments drive to increase police officer numbers, with an additional 91 officers being recruited during 2021/22, reinforcing Community Policing in the West Mercia area and demonstrating the Commissioner's commitment to visible, effective neighbourhood policing. Other unavoidable cost pressures have also arisen due to statutory changes and from changes in legislation, including the Policing and Crime Act 2017 and the cost and financing of police pensions. These unavoidable spend pressures are significant and may prove even more challenging to address in future, given the further pressure on Public Finances as a result of the pandemic, alongside the continuing changing and growing demands for police services.

The central government grant was confirmed in the settlement on the 4th February 2021. It did provide additional funding to cover the employment cost of the increase in police numbers, and was at a higher level than expected, with additional funding provided to help with the impact of the pandemic on policing across the whole of the UK. This was welcomed, but the overall settlement is still challenging and the force has identified £4.640m of savings within the budget to ensure that it remains able to operate efficiently within the resources available.

The priorities for the PCC for the next financial year is to deliver the priorities set out in the Safer West Mercia Plan 2016-2021:

- Put victims and survivors first
- Build a more secure West Mercia
- Reform West Mercia
- Reassure West Mercia's communities

The specific details of the priorities are set out in the detail of the 2021/22 Budget report <https://www.westmercia-pcc.gov.uk/financial-information/financial-reports/>

Key to the PCC's vision are:

- increasing West Mercia's establishment to 2,329 police officers, in order to help meet increased demand, reassure local communities and further increase public confidence in policing. This represents the highest number of officers the force has seen since 2011.
- that resources will be focused on improving the Forensics Service, not least in Digital Forensics. These services will continue to comply with regulatory requirements and best practice and will invest in modern ICT enabling them to keep pace with technological change.
- investing in the digital infrastructure and services that support police officers and are so crucial to the frontline services our communities need most. The integration/development of ICT projects and business process re-engineering will

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continue, having suffered from years of under-investment or sub-optimal compromise under the previous Alliance arrangements. The force is implementing a major transformational ICT programme, upgrading its infrastructure, networks, hardware and software across several years

- investing in developing and implementing a more responsive, efficient and effective estates service focused on the emergency “blue light” services. A revised Estates Strategy will be developed and implementation will begin during 2021/22. Alongside the improvements to service this new solution should bring, it will also deliver financial benefits for West Mercia’s communities, which again will allow resources to be diverted towards key priorities.

Section 6. Environmental Scanning

A Strategic Assessment has been undertaken and provides an overview of the current and medium-term future issues that affect, or have the potential to affect, our communities. It informs future policing activity in areas of prevention, intelligence gathering, enforcement and policing strategy. 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 current assessment has a focus on the challenges and has been prioritised in terms of the impact and uncertainty:



Section 7. 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 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.

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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 CC 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;
- **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 2021 of the assets and liabilities recognised by the Chief Constable. The net assets (assets less

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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 £63.5m. The deficit is arrived at after accounting for costs and income in line with the Chief Constable's accounting policies and 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 2021 is £2,886.8m. However, in considering the impact that this has on the financial position of the CC 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.

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- 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 62.

Statement of Accounting Policies

i. General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2020/21 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 2020/21 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 2020/21.

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

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.

Statement of Accounting Policies

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, time off in lieu, 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) and are determined by the individuals' pensionable pay and pensionable service.

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

Statement of Accounting Policies

- 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 2021.
- 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 pension's 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

- **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

Statement of Accounting Policies

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 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.

Statement of Accounting Policies

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 2020/21.

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 2020/21 (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 unaudited Statement of Accounts for the Chief Constable of West Mercia Police were issued on 16 June 2021 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 2021.

Richard Muirhead

Head of Commercial Services

Date: 16 June 2021

Independent Auditor's Report

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

To be added following completion of the Audit

To be added following completion of the Audit

Independent Auditor's Report

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.

| 2019/20 Gross Expenditure £000 | 2019/20 Gross Income £000 | 2019/20 Net Expenditure £000 | | Notes | 2020/21 Gross Expenditure £000 | 2020/21 Gross Income £000 | 2020/21 Net Expenditure £000 |
|---|------------------------------------|---------------------------------------|---|----------|---|------------------------------------|---------------------------------------|
| 274,933 | 0 | 274,933 | Policing Services | | 286,866 | 0 | 286,866 |
| 274,933 | 0 | 274,933 | Cost of Policing Services | 1 | 286,866 | 0 | 286,866 |
| (243,601) | 0 | (243,601) | PCC's funding for Resources Consumed | 9 | (251,131) | 0 | (251,131) |
| 31,332 | 0 | 31,332 | Net Cost of Policing Services | | 35,735 | 0 | 35,735 |
| | | 66,922 | Financing and investment net expenditure (<i>Note 20</i>) | | | | 58,490 |
| | | (31,075) | Home Office Grant Towards the Cost of Retirement | | | | (30,719) |
| | | 67,179 | Deficit on Provision of Services | | | | 63,506 |
| | | (201,273) | Re-measurement of the net defined benefit liability (<i>Notes 5 and 20</i>) | | | | 228,455 |
| | | (201,273) | Other Comprehensive (Income) & Expenditure | | | | 228,455 |
| | | (134,094) | Total Comprehensive (Income) & Expenditure | | | | 291,961 |

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 |
| Opening Balance at 1 April 2019 | | 0 | (2,734,768) | (2,734,768) |
| Movement in reserves during 2019/20 | | | | |
| Total Comprehensive Income and Expenditure | 20 | (67,179) | 201,273 | 134,094 |
| Adjustments between accounting basis and funding basis under regulations | 7 | 67,179 | (67,179) | 0 |
| Net Increase before transfers to Earmarked Reserves | | 0 | 134,094 | 134,094 |
| Transfers to/from Earmarked Reserves | | 0 | 0 | 0 |
| Increase/(Decrease) in Year | | 0 | 134,094 | 134,094 |
| Balance at 31 March 2020 Carried Forward | | 0 | (2,600,674) | (2,600,674) |
| Movement in reserves during 2020/21 | | | | |
| Total Comprehensive Income and Expenditure | 20 | (63,506) | (228,455) | (291,961) |
| Adjustments between accounting basis and funding basis under regulations | 7 | 63,506 | (63,506) | 0 |
| Net Increase before transfers to Earmarked Reserves | | 0 | (291,961) | (291,961) |
| Transfers to/from Earmarked Reserves | | 0 | 0 | 0 |
| Increase/(Decrease) in Year | | 0 | (291,961) | (291,961) |
| Balance at 31 March 2021 Carried Forward | | 0 | (2,892,635) | (2,892,635) |

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 2020 | | Notes | 31 March 2021 |
|--------------------|---|-------|--------------------|
| £000 | | | £000 |
| 0 | Long Term Assets | | 0 |
| 11,167 | Short Term Debtors and other current assets | 15 | 7,244 |
| 0 | Intra-Group Debtor | 9 | 2,312 |
| 11,167 | Current Assets | | 9,556 |
| (14,494) | Short Term Creditors | 16 | (14,983) |
| (432) | Provisions | 17 | (361) |
| (781) | Intra-Group Creditor | 9 | 0 |
| (15,707) | Current Liabilities | | (15,344) |
| (2,596,134) | Liability Relating to Defined Benefit Pension Schemes | 20 | (2,886,847) |
| (2,596,134) | Long Term Liabilities | | (2,886,847) |
| (2,600,674) | Net Liabilities | | (2,892,635) |
| | | | |
| (2,600,674) | Unusable Reserves | 9 | (2,892,635) |
| (2,600,674) | Total Reserves | | (2,892,635) |
| | | | |

The unaudited Statement of Accounts were issued on 16 June 2021

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.

| 2019/20 £000 | | Notes | 2020/21 £000 |
|-----------------|---|-------|-----------------|
| 67,179 | Net deficit on the provision of services | | 63,506 |
| (67,179) | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements | 19 | (63,506) |
| 0 | Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities | | 0 |
| 0 | Net cash flows from Operating Activities | | |
| 0 | Investing Activities | | 0 |
| 0 | Net increase or decrease in cash and cash equivalents | | |
| 0 | Cash and cash equivalents at the beginning of the reporting period | | 0 |
| 0 | Cash and cash equivalents at the end of the reporting period | | 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.

| | 2020/21 Net Expenditure Chargeable to the Police Fund Balances | 2020/21 Restated Adjustments between the Funding and Accounting Basis | 2020/21 Net Expenditure in the CIES |
|--|---|--|---|
| | £000 | £000 | £000 |
| Policing Services | 245,129 | 41,737 | 286,866 |
| Net Cost of Policing Services | 245,129 | 41,737 | 286,866 |
| Funding from the PCC | (245,129) | (6,002) | (251,131) |
| Other income and expenditure | 0 | 27,771 | 27,771 |
| (Surplus) or deficit on provision of Services | 0 | 63,506 | 63,506 |

| | |
|---|----------|
| Opening Police Fund at 31 March 2020 | 0 |
| Less Deficit on Police Fund in Year | 0 |
| Closing Police Fund at 31 March 2021 | 0 |

| | 2019/20 Net Expenditure Chargeable to the Police Fund Balances | 2019/20 Adjustments between the Funding and Accounting Basis | 2019/20 Net Expenditure in the CIES |
|--|---|--|---|
| | £000 | £000 | £000 |
| Policing Services | 238,699 | 36,234 | 274,933 |
| Net Cost of Policing Services | 238,699 | 36,234 | 274,933 |
| Funding from the PCC | (238,699) | (4,902) | (243,601) |
| Other income and expenditure | 0 | 35,847 | 35,847 |
| (Surplus) or deficit on provision of Services | 0 | 67,179 | 67,179 |

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

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

Adjustments between Funding and Accounting Basis

| 2020/21 | | | | | |
|--|---|--|---|-----------------------------|-------------------|
| Adjustments from Police Fund to arrive at the CIES amounts | Adjustments for Capital Purposes (note i) | Restated 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 | 5,876 | 34,487 | (727) | 2,101 | 41,737 |
| <i>Net Cost of Services</i> | 5,876 | 34,487 | (727) | 2,101 | 41,737 |
| Funding from the PCC | (5,876) | 0 | 727 | (853) | (6,002) |
| Other income and expenditure from the Funding Analysis | 0 | 27,771 | 0 | 0 | 27,771 |
| Difference between Police Fund surplus or deficit and CIES surplus or deficit | 0 | 62,258 | 0 | 1,248 | 63,506 |

| 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 | 35,847 | 0 | 0 | 35,847 |
| Difference between Police Fund surplus or deficit and CIES surplus or deficit | 0 | 66,403 | 0 | 776 | 67,179 |

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 £0.853m (£0.168m in 2019/20) in respect of the training costs funded by the government from the Apprenticeship Levy.

1(b) Expenditure and Income Analysed by Nature

| 2019/20 £000 | | 2020/21 £000 |
|------------------|--|------------------|
| 116,464 | Police officers pay | 125,024 |
| 65,072 | Police staff pay | 70,292 |
| 3,308 | Police pensions | 3,588 |
| 2,734 | Other Employee Expenses | 2,664 |
| 72,286 | Pensions current cost of service | 71,625 |
| (35,974) | Cost of pensions based on cash flows | (38,248) |
| 776 | Accumulated absences | 1,248 |
| (5,756) | Non distributed costs | 1,110 |
| 48,734 | Other service expenditure | 41,111 |
| 8,889 | Depreciation, Amortisation, Revaluation Loss and REFCUS (see glossary) | 8,096 |
| 0 | Capital Charges from the PCC to the Chief Constable – net | 356 |
| 66,922 | Net interest on the net defined benefit liability | 58,490 |
| 343,455 | Total Expenditure | 345,356 |
| (243,601) | Funding from the PCC for financial resources consumed | (251,131) |
| (31,075) | Government grants and contributions | (30,719) |
| (1,600) | Capital Charges from the PCC to the Chief Constable – net | 0 |
| (276,276) | Total Income | (281,850) |
| 67,179 | Deficit on the Provision of services | 63,506 |

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:

- Definition of a Business: Amendments to IFRS 3 Business Combinations;

Notes to the Financial Statements

- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7;
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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 until 1 April 2022 so there is no requirement to consider this in the 2020/21 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 their 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;
- 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 strategic alliance between West Mercia Police and Warwickshire Police terminated on 31 March 2020 and this judgement no longer applies after that date. Two new S22a Collaborative Agreements were agreed between the two forces for four services that continued to be provided to or shared with Warwickshire during 2020/21. A revised cost sharing mechanism was also agreed. Further information can be found in Note 10 to the Accounts.

During 2019/20 the alliance cost sharing agreement still applied and the allocation of transactions and balances between partners within the alliance affected the values reported in the two entities' respective Accounts for 2019/20.

Judgements taken in the application of accounting policies and the allocation of transactions and balances in the Accounts in respect of the alliance were consistent to those taken in regard to the Group (PCC and CC) and complied with the requirements of the Code. Integral to this judgement was the financial arrangements for the alliance as set out in the Section 22 Agreement in place during 2019/20 and the cost sharing model. The economic reality of the alliance cost sharing model took precedence over the Group in many respects and was 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 was widely consulted on. This judgement no longer applies for 2020/21, as explained above.

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 increased by £4.4m compared to 2019/20, mainly due to fluctuations between years relating to the valuations of pensions costs, as well as reflecting the increased government funding for the recruitment of additional police officers, as explained in the Narrative Statement.

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 2021 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 from a survey 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 2021 relating to the costs of voluntary redundancies and early retirements on the grounds of voluntary redundancy and adjustments to injury pensions relating to the Evans & Ashcroft case. 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 £0.361m and is held in the Chief Constable's

Notes to the Financial Statements

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 loss of £228.5m, compared to a gain of £208.3m in 2019/20. The loss is due to relatively small changes in the assumptions and rates used by the actuaries for calculating inflation, salary increases and discounting scheme liabilities. Overall, the Pensions Liability held on the Balance Sheet, has increased by £290.1m to £2,886.8m at 31 March 2021. Further information regarding the Pensions Liabilities can be found in Note 20.

6. Events after the Reporting Period

The unaudited Statement of Accounts were issued by the Head of Commercial Services on 16 June 2021. 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 1st April 2021. The remaining partners agreed to dissolve PPL and it ceased trading 31st March 2021. The final position of PPL in respect of the balance of any assets and liabilities that will fall on the partners has not yet been established as at the date of issuing the Chief Constable's unaudited Statement of Accounts; any impact on the Chief Constable is expected to be immaterial.

West Mercia Police has continued the majority of its operations throughout the third Coronavirus lockdown period that commenced in January 2021, and was ongoing at the time of issuing these Accounts, providing personal protective equipment to its officers and staff and applying social distancing within its estate. The impact of Coronavirus, although more prolonged than most major incidents 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.

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

| 2020/21 | Police Fund Balance |
|---|---------------------|
| | £000 |
| Adjustments to the Revenue Resources | |
| <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) | (62,258) |
| Holiday pay (transferred to the Accumulated Absences Reserve) | (1,248) |
| Total Adjustments | (63,506) |

| 2019/20 | Police Fund Balance |
|---|---------------------|
| | £000 |
| Adjustments to the Revenue Resources | |
| <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) | (66,403) |
| Holiday pay (transferred to the Accumulated Absences Reserve) | (776) |
| Total Adjustments | (67,179) |

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 2020 £000 | | 31 March 2021 £000 |
|--------------------------|--------------------------------|--------------------------|
| 2,596,134 | Pension Reserve | 2,886,847 |
| 4,540 | Accumulated Absences Reserve | 5,788 |
| 2,600,674 | Total Unusable Reserves | 2,892,635 |

(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:

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--|-----------------|
| 2,731,004 | Balance as at 1 April | 2,596,134 |
| (201,273) | Re-measurement of the net defined benefit liability | 228,455 |
| 133,452 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | 131,225 |
| (67,049) | Employer's pensions contributions and direct payments to pensioners payable in the year | (68,967) |
| 2,596,134 | Balance as at 31 March | 2,886,847 |

(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 2021. Statutory arrangements require that the impact on the Police Fund Balance is neutralised by transfers to or from the Account.

| 2019/20 | | | 2020/21 | |
|---------|-------|---|---------|-------|
| £000 | £000 | | £000 | £000 |
| | 3,764 | Balance as at 1 April | | 4,540 |
| (3,764) | | Cancellation of accrual made at the end of the preceding year | (4,540) | |
| 4,540 | | Amount accrued at the end of the current year | 5,788 | |
| | 776 | 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 | | 1,248 |
| | 4,540 | Balance as at 31 March | | 5,788 |

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 2020/21 amounts to £251.1m (£243.6m in 2019/20). 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 Debtor of £2.3m (Creditor of £0.8m in 2019/20) 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

| 2019/20 £000 | | 2020/21 |
|-----------------|---|----------------|
| 274,933 | Chief Constable's Cost of Services | 286,866 |
| 66,922 | Interest on the net defined benefit liability | 58,490 |
| (31,075) | Home Office grant towards the cost of retirement | (30,719) |
| (201,273) | Re-measurement of the net defined benefit liability | 228,455 |
| 109,507 | Resources consumed | 543,092 |
| | Items removed through the MIRS | |
| 134,870 | Movement in pensions liability | (290,713) |
| (776) | Movement in accumulated absences liability | (1,248) |
| 243,601 | Total resources consumed for the year by the Chief Constable and funded by the PCC | 251,131 |

10. Pooled budgets and joint operations**Alliance with Warwickshire Police during 2019/20**

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 independence. From 1 April 2019, Local Policing was "non-pooled" and operated independently for each Force during 2019/20. The alliance itself ceased on 31 March 2020.

The pooled costs resulting from the alliance policing model for 2019/20 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 that were in place during 2019/20 and resulting treatment of transactions and balances is set out in Note 3.

| | 2019/20 £000 |
|---|------------------|
| Contribution from Warwickshire | (31,694) |
| Contribution from West Mercia | (70,556) |
| Total Funding provided to the alliance | (102,250) |
| Pay and allowances | 66,791 |
| Transport costs | 5,394 |
| Supplies and Services | 29,498 |
| Third Party Payments | 9,124 |
| Income | (8,557) |
| Total Expenditure (pooled) | 102,250 |

Notes to the Financial Statements**Hosted and Shared Services with Warwickshire Police during 2020/21**

Two new S22a Collaborative Agreements were agreed between the two forces for four services that continued to be provided to or shared with Warwickshire during 2020/21. A revised cost sharing mechanism was also agreed, with costs being recharged to Warwickshire at 31.7%. The services covered by the new s22a agreements are Forensics, Transactional Services / Business Operations Centre, File Storage (all three hosted), and ICT (shared).

Under the new arrangement the costs of the hosted services provided by West Mercia to Warwickshire were shown in full in West Mercia's accounts with the appropriate recharge to Warwickshire shown as income to West Mercia, as set out below. The recharges consist of Direct Costs (Staff Pay, Transport and Supplies & Services), plus an agreed overhead for premises and other costs, charged as a percentage of pay. Where applicable direct overheads are also added, e.g. external costs from the payroll provider for running Warwickshire's payroll.

Warwickshire Police directly incurred £1.4m of costs in respect of Forensics, mainly relating to pay costs for members of staff employed by Warwickshire, however the figures shown in the Accounts and in the table below are the gross expenditure and income of the Forensics service.

| Hosted Services | Trans- actional £000 | File Storage £000 | Forensics £000 | Total £000 |
|--|-------------------------------------|----------------------------------|---------------------------|-----------------------|
| Direct Costs of Services: | 2,191 | 63 | 7,340 | 9,594 |
| Overheads (including Vehicles for File Storage Team and Forensics) | 108 | 36 | 356 | 500 |
| Total Costs for Service: | 2,299 | 99 | 7,696 | 10,094 |
| Recharge to Warwickshire @ 31.7%: | (729) | (31) | (2,440) | (3,200) |
| Recharge of Direct Overheads: | (73) | (1) | 0 | (74) |
| Net Total Payable by Warks to West Mercia: | (802) | (32) | (2,440) | (3,274) |

The costs of the ICT Shared Service arrangement were incurred by both forces with the appropriate recharge being made to Warwickshire Police after taking into account costs incurred directly by Warwickshire and costs that were solely attributable to either Force. This is summarised below:

| ICT Shared Services | £000 | £000 | £000 |
|---|-------------|---------------|----------------|
| West Mercia Total Costs of ICT | 14,609 | | |
| Less: West Mercia Only Costs: | (757) | | |
| West Mercia Direct Costs: | | 13,852 | |
| Direct Overheads (Staff Pay): | | 144 | |
| Overheads (Premises @ 4% and General @ 2%): | | 268 | |
| Total West Mercia Costs: | | 14,264 | |
| Recharge to Warwickshire @ 31.7%: | | | (4,522) |

Notes to the Financial Statements

| | | | |
|--|-------|--------------|----------------|
| | | | |
| Warwickshire Total Costs of ICT | 2,818 | | |
| Less: Warwickshire Only Costs: | (589) | | |
| Total Warwickshire Direct Costs: | | 2,229 | |
| Recharge to West Mercia @ 68.3%: | | | 1,523 |
| Adjustment for costs initially charged to one Force but relating solely to the other | | | |
| 100% West Mercia Costs Charged to Warwickshire | | 42 | |
| 100% Warwickshire Costs Charged to West Mercia | | (166) | (124) |
| Net Total Payable by Warks to West Mercia: | | | (3,123) |

Place Partnership Limited

Place Partnership Limited (PPL) was 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 had equal shares and equal voting rights.

As stated in Note 6, in March 2020 Worcestershire County Council gave notice of its intention to exit PPL effective from 1st April 2021. The remaining partners agreed to dissolve PPL and it ceased trading 31st March 2021. The final position of PPL in respect of the balance of any assets and liabilities that will fall on the partners has not yet been established as at the date of issuing the Group's unaudited Statement of Accounts; any impact on the Group is expected to be immaterial.

PPL has been classified as a Joint Operation, because there was joint control and the activity of the arrangement was primarily to provide services to the parties within the parties' boundaries. In 2020/21, the operating costs for West Mercia Police were £7.887m (£8.197m in 2018/19). As the PCC took on responsibility for the Estates Function during 2020/21 these costs are now shown in the PCC's Service line in the Group & PCC CIESs, rather than in the Chief Constable's 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.

West Mercia Police's share (37.7%) of PPL's Local Government Pension Scheme assets and liabilities as at 31 March 2021 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 £40.698m as at 31 March 2021 (£33.666m as at 31 March 2020): 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

Notes to the Financial Statements

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:

| 2019/20 restated with final figures from West Mids | | 2020/21 |
|--|--|-----------------|
| £000 | | £000 |
| (13,293) | Contribution from West Midlands Police | (14,721) |
| (4,081) | Contribution from West Mercia Police | (4,001) |
| (3,965) | Contribution from Staffordshire Police | (3,887) |
| (1,982) | Contribution from Warwickshire Police | (1,944) |
| (2,400) | WMROCU Grant | (2,399) |
| (270) | National Cyber Security Programme funding | (140) |
| (165) | Regional Asset Recovery Team grant | (178) |
| (693) | ROCU Reserves | (482) |
| (1,134) | PTF Grants | 0 |
| 0 | UCOL Funding | (1,096) |
| 0 | ROCTA Funding | (112) |
| 0 | Disruption Team Funding | (256) |
| 0 | Dark Web Funding | (250) |
| 0 | OPSY Income | (34) |
| (27,983) | Total funding provided to the WMROCU | (29,500) |
| 995 | Regional Asset Recovery Team (RART) | 1,066 |
| 196 | RART – ACE team | 187 |
| 637 | Regional Cyber Crime Unit | 739 |
| 288 | Regional Fraud Team | 320 |
| 922 | Regional Prisons Intelligence Unit | 952 |
| 8 | UKPPS (protected persons) | 0 |
| 61 | Operational Security (OPSY) | 63 |
| 50 | Regional Government Agency Intelligence Network (GAIN) | 61 |
| 1,533 | Command Team | 1,440 |
| 5,527 | Regional Confidential Unit | 5,679 |
| 624 | TIDU – Technical Intelligence | 765 |
| 305 | Enabling Services | 252 |
| 4,628 | SOCU | 5,197 |
| 8,266 | Regional Surveillance Unit (FSU) | 7,531 |
| 122 | Threat Assessment Team (ROCTA) | 112 |
| 266 | Disruption Team | 385 |
| 0 | Dark Web | 249 |
| 3,555 | Other Regional Operations | 3,649 |
| 0 | Additional Contribution to Reserves | 853 |
| 27,983 | Total Expenditure | 29,500 |
| 0 | Total Net Expenditure | 0 |

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 £0.670m in 2020/21, (£0.502m in 2019/20) 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 £0.058m and a short term debtor of £0.075m, representing the discounted value of future expected cash flows in 2019/20 and subsequent years. The discount rate applied to future cash flows is based on Treasury rates contained in the Green Book. 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 2020/21 and the costs are included in the Chief Constable's CIES.

Exit packages include charges by the LGPS in respect of benefits paid before normal retirement age. There were no compromise agreements covering the 2020/21 exit packages. Two of the employees will not leave the organisation until after 1 April 2021 and a provision of £0.226m 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 | |
|---|-------------------------|-----------|--|-----------------|
| | 2019/20 | 2020/21 | 2019/20 £000 | 2020/21 £000 |
| £0 - £20,000 | 4 | 5 | 35 | 25 |
| £20,001 - £40,000 | 1 | 1 | 34 | 53 |
| £40,001 - £60,000 | 1 | 1 | 45 | 49 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 |
| £80,001 - £100,000 | 1 | 1 | 80 | 84 |
| £100,001 - £150,000 | 2 | 1 | 280 | 126 |
| £150,001 + | 2 | 2 | 366 | 366 |
| Total | 11 | 11 | 840 | 703 |

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:

Notes to the Financial Statements
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 | 2020/21 | 155,101 | 0 | 0 | 9,422 | 4,281 | 0 | 48,081 | 216,885 |
| | 2019/20 | 151,317 | 0 | 0 | 8,569 | 4,281 | 0 | 46,908 | 211,075 |
| Deputy Chief Constable 1 – Note 1 | 2020/21 | 127,950 | 0 | 0 | 6,855 | 0 | 0 | 39,665 | 174,470 |
| | 2019/20 | 29,833 | 0 | 0 | 1,243 | 875 | 0 | 9,248 | 41,199 |
| Deputy Chief Constable 2 – Note 2 | 2020/21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019/20 | 72,284 | 0 | 0 | 3,000 | 2,150 | 0 | 22,408 | 99,842 |
| Asst Chief Constable 1 – Note 3 | 2020/21 | 90,057 | 0 | 0 | 6,772 | 0 | 0 | 27,918 | 124,747 |
| | 2019/20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Asst Chief Constable 2 – Note 4 | 2020/21 | 115,792 | 0 | 0 | 7,541 | 4,281 | 0 | 35,895 | 163,509 |
| | 2019/20 | 106,788 | 0 | 0 | 7,378 | 4,281 | 0 | 33,104 | 151,551 |
| Asst Chief Constable 3 – Note 5 | 2020/21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019/20 | 108,318 | 0 | 0 | 6,982 | 2,500 | 0 | 33,578 | 151,378 |
| Asst Chief Constable 4 – Note 6 | 2020/21 | 14,919 | 0 | 0 | 207 | 0 | 0 | 4,625 | 19,751 |
| | 2019/20 | 91,180 | 0 | 0 | 1,239 | 0 | 0 | 27,466 | 119,885 |
| Asst Chief Constable 5 – Note 7 | 2020/21 | 92,744 | 0 | 0 | 1,239 | 0 | 0 | 27,776 | 121,759 |
| | 2019/20 | 86,161 | 0 | 0 | 1,239 | 0 | 0 | 25,620 | 113,020 |
| Director of Business Services – Note 8 | 2020/21 | 104,526 | 0 | 0 | 5,802 | 0 | 0 | 17,142 | 127,470 |
| | 2019/20 | 85,514 | 0 | 0 | 1,239 | 0 | 0 | 12,143 | 98,896 |
| Head of Commercial Services – Note 9 | 2020/21 | 98,796 | 0 | 0 | 0 | 0 | 0 | 16,203 | 114,999 |
| | 2019/20 | 40,573 | 0 | 0 | 0 | 0 | 0 | 5,761 | 46,334 |
| Notes: | | | | | | | | | |
| 1 | Commenced in post on 6 January 2020. | | | | | | | | |
| 2 | Left the Force on 31 October 2019. | | | | | | | | |
| 3 | Commenced in post on 15 June 2020. | | | | | | | | |
| 4 | Commenced in post on 8 July 2018; acted up to DCC from 21 October 2019 to 5 January 2020; left the Force 17 April 2021. | | | | | | | | |
| 5 | Left the Force on 12 March 2020. | | | | | | | | |
| 6 | Acted up from Chief Superintendent to ACC from 21 October 2019 to 29 December 2019; left the Force 31 May 2020. | | | | | | | | |
| 7 | Acting up from Chief Superintendent to ACC from 2 March 2020 to 14 June 2020. | | | | | | | | |

Notes to the Financial Statements

| | |
|---|--|
| 8 | New post in 2019/20 - temporarily promoted from 21 October 2019 to 20 December 2019; promoted permanently from 18 March 2020. |
| 9 | Section 151 Officer for West Mercia Police, commenced in post 1 November 2019. The previous section 151 Officer during 2019/20 was in an alliance role and was employed by Warwickshire Police, with the costs shown in the Warwickshire Group and Chief Constable Accounts. |

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 |
|---------------------|---------------------|---------------------|
| 2019/20 | Remuneration Band | 2020/21 |
| 138 | £50,000 - £54,999 | 138 |
| 113 | £55,000 - £59,999 | 124 |
| 27 | £60,000 - £64,999 | 46 |
| 13 | £65,000 - £69,999 | 12 |
| 9 | £70,000 - £74,999 | 5 |
| 4 | £75,000 - £79,999 | 10 |
| 7 | £80,000 - £84,999 | 2 |
| 3 | £85,000 - £89,999 | 3 |
| 1 | £90,000 - £94,999 | 2 |
| 0 | £95,000 - £99,999 | 1 |
| 1 | £110,000 - £114,999 | 2 |
| 1 | £115,000 - £119,999 | 0 |
| 0 | £120,000 - £124,999 | 1 |
| 0 | £130,000 - £134,999 | 1 |
| 1 | £155,000 - £159,999 | 0 |
| 0 | £160,000 - £164,999 | 1 |
| 318 | Total | 348 |

13. External Audit Costs

The Chief Constable has incurred £27,260 (£14,438 in 2019/20) 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 £70,038 (£40,818 in 2019/20). The PCC's share of the audit fees is £42,778 (£26,380 in 2019/20). The increases from 2019/20 are in relation to additional audit fees charged by Grant Thornton for additional work on the 2018/19 Accounts during 2020 (£12,500 for the Chief Constable and £6,000 for the PCC) and for additional work on the 2019/20 Accounts (£3,511 Chief Constable and £9,198 PCC). A rebate of £3,190 was received from Public Sector Audit Appointments in respect of the Chief Constable's audit fees for 2019/20.

Grant Thornton provided no non-audit services during the year (nil in 2019/20).

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 their 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.

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.

The PCC and Chief Constable participate in various partnerships with a range of public bodies, previously the most significant of which was the strategic alliance under a Section 22 Agreement with Warwickshire Police, which ceased on 31 March 2020. Two new S22a Collaborative Agreements were agreed between the two forces for four services that continued to be provided to or shared with Warwickshire during 2020/21, resulting in income to West Mercia amounting to £6.4m.

As explained in Note 10, Place Partnership Limited (PPL) was 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. Following Worcestershire County Council giving notice in March 2020 of its intention to exit PPL effective from 1st April 2021, during 2020/21 the remaining partners agreed to dissolve PPL and it ceased trading 31st March 2021. Each party held two shares of £1 each (held by the PCC).

The following table shows the extent of the expenditure and income with other local authorities, police forces (excluding Warwickshire Police, shown above), and PPL.

| | Expenditure | Income |
|--|---------------|----------------|
| | £000 | £000 |
| Local Authorities in the Policing Area | 4,070 | (972) |
| Other Local Authorities | 126 | 0 |
| Seconded Police Officers | 0 | (548) |
| Other Police Forces | 7,182 | (1,359) |
| Place Partnership Limited | 7,887 | 0 |
| Total | 19,265 | (2,879) |

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.

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 2021 where the money has not been received by this date. Inventories amounting to £0.561m (£0.388m in 2019/20) are now shown as part of prepayments.

| 31 March 2020 £000 | | 31 March 2021 £000 |
|--------------------------|--|--------------------------|
| 388 | Prepayments | 561 |
| 10,779 | Other Receivables (mainly balance of Police Pensions Top-up Grant) | 6,683 |
| 11,167 | Total Debtors | 7,244 |

16. Creditors

This note shows money owed by the Chief Constable for goods and services purchased and received on or before 31 March 2021 where the money has not been paid by this date.

| 31 March 2020 £000 | | 31 March 2021 £000 |
|--------------------------|---|--------------------------|
| (87) | Trade Payables | (58) |
| (14,407) | Other Payables (including Tax, NI and Pension contributions payable and Accumulated Absences) | (14,925) |
| (14,494) | Total Creditors | (14,983) |

17. Provisions**Termination Benefits**

This provision was established to meet the costs of voluntary redundancies and early retirements on the grounds of voluntary redundancy agreed during the 2020/21 financial year but falling into the following financial year. A balance of £0.135m remains from 2019/20 relating to adjustments to injury pensions in respect of the Evans & Ashcroft case that have since been settled in April and May 2021.

| | Termination Benefits £000 |
|---------------------------------------|---------------------------------|
| Balance at 1 April 2019 | 0 |
| Additional provisions made in 2019/20 | 432 |
| Amounts used in 2019/20 | 0 |
| Balance at 1 April 2020 | 432 |
| Additional provisions made in 2020/21 | 226 |
| Amounts used in 2020/21 | (297) |

Notes to the Financial Statements**Balance at 31 March 2021 for the CC****361**

No other provisions were charged to the CIES in 2020/21 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 £0.993m.

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:

| 2019/20 £000 | | 2020/21 £000 |
|-------------------------|--|-------------------------|
| (8,621) | (Increase)/decrease in revenue creditors | (489) |
| (3,519) | Increase/(decrease) in revenue debtors and inventories | (3,923) |
| 11,796 | Movement in Intra-Group Funding | 3,093 |
| (66,403) | Movement in pension liability | (62,258) |
| (432) | Movement in provisions | 71 |
| (67,179) | Total – Group and PCC | (63,506) |

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 pension liabilities with investment

Notes to the Financial Statements

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 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 2021 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 £40.698m as at 31 March 2021 (£33.666m as at 31 March 2020): 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. The claims against the Police Pension Scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in Oct 2019, with the resulting Order including 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. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for

Notes to the Financial Statements

members to have been members of the scheme on or before 31 March 2012 and on or after 1 April 2015 to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period 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 pension scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts. GAD re-calculated the 2019/20 disclosures in August 2020 in light of the eligibility criteria set out in HM Treasury's remedy consultation exercise and issued revised figures to the force after the draft Accounts were produced. The revised figures were incorporated into the Audited Accounts, and resulted in a £26m reduction in the pension liability.

The impact of an increase in scheme liabilities arising from 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 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.

Compensation Claims

Claimants have lodged claims for compensation. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably 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

Notes to the Financial Statements

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:

| 2020/21 | LGPS £000 | LGPS (PPL ele- ment) £000 | Police Pension Schemes £000 | Total £000 |
|---|---------------|---------------------------------------|--------------------------------------|----------------|
| CIES | | | | |
| Cost of Services: | | | | |
| – current service costs | 15,978 | 327 | 55,320 | 71,625 |
| – past service costs and gain/loss from settlements | 500 | 0 | 610 | 1,110 |
| Financing and Investment Income and Expenditure | | | | |
| – net interest expense | 4,153 | (3) | 54,340 | 58,490 |
| Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services | 20,631 | 324 | 110,270 | 131,225 |
| Other Post-Employment Benefits charged to the CIES | | | | |
| Re-measurement of the net defined benefit liability and return on plan assets | 23,136 | (149) | 205,468 | 228,455 |
| Total Post Employment Benefit charged to the CIES | 43,767 | 175 | 315,738 | 359,680 |
| MIRS | | | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code. | (20,631) | (324) | (110,270) | (131,225) |
| Actual amount charged against the Police Fund Balance for pensions in the year | | | | |
| – employers' contributions payable to the scheme | 10,804 | 175 | 55,298 | 66,277 |
| – benefits paid direct to beneficiaries | 0 | 0 | 2,690 | 2,690 |

Notes to the Financial Statements

| 2019/20 | LGPS £000 | LGPS (PPL element) £000 | Police Pension Schemes £000 | Total £000 |
|---|---------------|----------------------------------|--------------------------------------|-----------------|
| CIES | | | | |
| Cost of Services: | | | | |
| – current service costs | 14,724 | 372 | 57,190 | 72,286 |
| – past service costs and gain/loss from settlements | 3,523 | 211 | (9,490) | (5,756) |
| Financing and Investment Income and Expenditure | | | | |
| – net interest expense | 3,515 | (3) | 63,410 | 66,922 |
| Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services | 21,762 | 580 | 111,110 | 133,452 |
| Other Post-Employment Benefits charged to the CIES | | | | |
| Re-measurement of the net defined benefit liability and return on plan assets | 20,679 | (370) | (221,582) | (201,273) |
| Total Post Employment Benefit charged to the CIES | 42,441 | 210 | (110,472) | (67,821) |
| MIRS | | | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code. | (21,762) | (580) | (111,110) | (133,452) |
| Actual amount charged against the Police Fund Balance for pensions in the year | | | | |
| – employers' contributions payable to the scheme | 10,292 | 210 | 53,867 | 64,369 |
| – benefits paid direct to beneficiaries | 0 | 0 | 2,680 | 2,680 |

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:

| 2020/21 | LGPS £000 | LGPS (PPL element) £000 | Police Pension Schemes £000 | Total £000 |
|--|------------------|----------------------------------|--------------------------------------|--------------------|
| Present value of the defined benefit obligation | (531,264) | (15,343) | (2,674,391) | (3,220,998) |
| Fair value of plan assets | 318,809 | 15,343 | 0 | 334,152 |
| Net liabilities arising from the defined benefit obligation | (212,455) | 0 | (2,674,391) | (2,886,846) |

Notes to the Financial Statements

| 2019/20 | LGPS £000 | LGPS (PPL element) £000 | Police Pension Schemes £000 | Total £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 |
| Net liabilities arising from the defined benefit obligation | (179,492) | 0 | (2,416,641) | (2,596,133) |

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

| 2020/21 | LGPS £000 | LGPS (PPL ele- ment) £000 | Police Pension Schemes £000 | Total £000 |
|--------------------------------------|------------------|------------------------------------|--------------------------------------|--------------------|
| Opening balance at 1 April | (435,089) | (12,692) | (2,416,641) | (2,864,422) |
| Current service cost | (15,978) | (327) | (55,320) | (71,625) |
| Interest cost | (10,368) | (303) | (54,340) | (65,011) |
| Contributions by scheme participants | (3,375) | (75) | (10,580) | (14,030) |
| Re-measurement of liabilities | (75,548) | (2,104) | (206,920) | (284,572) |
| Benefits paid | 9,594 | 158 | 70,020 | 79,772 |
| Past service costs | 0 | 0 | (610) | (610) |
| Curtailments | (500) | 0 | 0 | (500) |
| Closing balance 31 March | (531,264) | (15,343) | (2,674,391) | (3,220,998) |

| 2019/20 | LGPS £000 | LGPS (PPL element) £000 | Police Pension Schemes £000 | Total £000 |
|--|------------------|----------------------------------|--------------------------------------|--------------------|
| Opening balance at 1 April | (412,888) | (11,658) | (2,583,660) | (3,008,206) |
| 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) |
| Closing balance 31 March | (435,089) | (12,692) | (2,416,641) | (2,864,422) |

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) | 2019/20 £000 | PPL element 2019/20 £000 | Total 2019/20 £000 | 2020/21 £000 | PPL element 2020/21 £000 | Total 2020/21 £000 |
|--|-----------------|-----------------------------------|--------------------------|-----------------|-----------------------------------|--------------------------|
| Opening balance at 1 April | 265,545 | 11,658 | 277,203 | 255,597 | 12,692 | 268,289 |
| Interest income | 6,748 | 325 | 7,073 | 6,215 | 306 | 6,521 |
| Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense | (22,077) | (484) | (22,561) | 52,616 | 2,258 | 54,874 |
| Administration expenses | (188) | (5) | (193) | (204) | (5) | (209) |
| Contributions by employer | 10,292 | 210 | 10,502 | 10,804 | 175 | 10,979 |
| Contributions from employees into the scheme | 3,094 | 82 | 3,176 | 3,375 | 75 | 3,450 |
| Additional share of PPL assets (see note above) | 0 | 1,156 | 1,156 | 0 | 0 | 0 |
| Benefits paid | (7,817) | (250) | (8,067) | (9,594) | (158) | (9,752) |
| Closing balance 31 March | 255,597 | 12,692 | 268,289 | 318,809 | 15,343 | 334,152 |

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 £10.2m. Expected contributions for the Police Pension Schemes by the Chief Constable in the year to 31 March 2021 are £27.7m.

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 2020/21 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. 2019/20's comparative figures have been restated to reflect the change in treatment of the Interest on Plan Assets as explained previously.

Notes to the Financial Statements

| 2020/21 | LGPS £000 | LGPS (PPL element) 2017/18 £000 | Police Pension Schemes £000 | Total £000 |
|------------------------------------|---------------|--|--------------------------------------|----------------|
| Changes in financial assumptions | 84,299 | 2,351 | 280,798 | 367,448 |
| Changes in demographic assumptions | 0 | 0 | 0 | 0 |
| Re-measurement of assets | (52,412) | (2,253) | 0 | (54,665) |
| Experience gains and losses | (8,751) | (247) | (75,330) | (84,328) |
| Total re-measurement | 23,136 | (149) | 205,468 | 228,455 |

| 2019/20 | LGPS £000 | LGPS (PPL element) 2019/20 £000 | Police Pension Schemes £000 | Total £000 |
|------------------------------------|---------------|--|--------------------------------------|------------------|
| Changes in financial assumptions | (1,733) | (422) | (93,792) | (95,947) |
| Changes in demographic assumptions | 0 | 0 | (76,910) | (76,910) |
| Re-measurement of assets | 22,265 | 489 | 0 | 22,754 |
| Experience gains and losses | 147 | (437) | (50,880) | (51,170) |
| Total re-measurement | 20,679 | (370) | (221,582) | (201,273) |

LGPS Assets

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

| | Total 31 March 2020 £000 | Split of Assets between Investment categories % | Total 31 March 2021 £000 | Split of Assets between Investment categories % |
|-----------------------------------|--------------------------------|---|--------------------------------|---|
| Equities | 180,453 | 71 | 270,746 | 85 |
| Government Bonds | 18,659 | 7 | 0 | 0 |
| Other Bonds | 12,779 | 5 | 284 | 0 |
| Property | 14,825 | 6 | 14,931 | 5 |
| Alternatives—UK Infrastructure | 27,348 | 10 | 32,848 | 10 |
| Cash-Liquidity | 1,533 | 1 | 0 | 0 |
| Total Assets | 255,597 | 100 | 318,809 | 100 |

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, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2020, projected forward to 31

Notes to the Financial Statements

March 2021. 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:

| 2019/20 | | | 2020/21 | |
|------------|------------------------|--|------------|------------------------|
| LGPS | Police Pension Schemes | | LGPS | Police Pension Schemes |
| | | Mortality assumptions | | |
| | | Longevity at 65 for current pensioners: | | |
| 22.6 years | 21.9 years | Men | 22.7 years | 22.0 years |
| 25.0 years | 23.6 years | Women | 25.1 years | 23.7 years |
| | | Longevity at 65 for future pensioners: | | |
| 24.2 years | 24.6 years | Men | 24.4 years | 23.7 years |
| 27.0 years | 26.2 years | Women | 27.1 years | 25.3 years |
| 2.1% | 2.0% | Rate of CPI inflation | 2.7% | 2.4% |
| 3.6% | 4.0% | Rate of increase in salaries (long-term) | 4.2% | 4.2% |
| n/a | 1.0% | Rate of increase in salaries (short-term) | n/a | 1.0% |
| 2.2% | 2.0% | Rate of increase in pensions | 2.8% | 2.4% |
| 2.4% | 2.25% | Rate for discounting scheme liabilities | 2.1% | 2.0% |
| - | 3.25% | CARE Revaluation rate | - | 3.65% |
| 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 equally 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) | 320,547 | (320,547) |
| Rate of inflation (increase or decrease by 1%) – Police staff only | 222,945 | (222,945) |
| Rate of increase in salaries (increase or decrease by 1%) | 273,961 | (273,961) |
| Rate of increase in pensions (increase or decrease by 1%) – PPS only | 478,000 | (478,000) |
| Rate for discounting scheme liabilities (increase or decrease by 1%) | (303,837) | 303,837 |

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.

| 2019/20 | | | 2020/21 | |
|----------|-----------------|---|----------|-----------------|
| £000 | £000 | | £000 | £000 |
| | | Contributions Receivable | | |
| | | From employer | | |
| (22,822) | | - Normal at 31% of pensionable pay | (24,583) | |
| (476) | | - Ill Health Capital Sum Income | (884) | |
| (9,865) | | From members (serving police officers) | (10,604) | |
| | (33,163) | | | (36,071) |
| | | | | |
| | (379) | Individual Transfers In from other schemes | | (705) |
| | | | | |
| | | Benefits Payable | | |
| 54,257 | | Pensions | 56,218 | |
| 10,264 | | Commutations and Lump Sum retirement benefits | 11,185 | |
| 90 | | Lump sum death benefits | 0 | |
| | 64,611 | | | 67,403 |
| | | | | |
| | | Payments to and on account of leavers | | |
| 6 | | Refunds of contributions | 92 | |
| 0 | | Individual transfers out to other schemes | 0 | |
| | 6 | | | 92 |
| | 31,075 | Sub-total for the year before transfer from the Group of amount equal to the deficit | | 30,719 |
| | | | | |
| | (31,075) | Additional funding payable by the Group to meet deficit for the year | | (30,719) |
| | | | | |
| | 0 | Net Amount Payable / Receivable for the year | | 0 |

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;
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 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

Capital Expenditure – Expenditure on new assets or on the enhancement of existing assets so as to prolong their life or enhance 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. The Chief Constable is a Corporation Sole.

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

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.

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 pension rights accrued by the transferring staff.

Debtors – Individuals or organisations who owe the Chief Constable money.

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.

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

Glossary of Terms

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 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.

International Financial Reporting Standards (IFRS) & International Accounting Standards (IAS) – The accounting rules and principles, adopted by the International

Glossary of Terms

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 held 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 CC in the future, which includes Current Liabilities and Long Term Liabilities.

Major Precepting Authority – Authorities that make a precept on the billing authorities' collection funds, 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.

Outturn – The actual amount spent in the financial year.

Glossary of Terms

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.

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.

Glossary of Terms

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.

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

Glossary of Terms

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; the alliance ended on 31st March 2020.

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 2020/21