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# **Chief Constable of West Mercia Police**

# **Statement of Accounts 2021/22**

# THE CHIEF CONSTABLE OF WEST MERCIA POLICE

## STATEMENT OF ACCOUNTS 2021/22

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## Narrative Report

### Message from Pippa Mills, Chief Constable of West Mercia Police

Since my appointment in September 2021 I have spoken to around 2,300 members of the force (so far) as part of an internal roadshow to help embed our new vision, values and priorities. A brilliant side effect of these conversations has been a reminder of the motivation the majority have for joining the police service that still drives them every day – a desire to make a positive difference to the communities we serve.

This motivation is fully supported by our Local Policing Community Charter, which was introduced in 2021. The Charter is our commitment to you in delivering a consistent high-quality service that you can be proud of and our officers, staff and volunteers can be proud of too.

There are three main priorities within the Charter; tackling issues on the roads, (preventing) drugs and anti-social behaviour. One year on from its introduction we've had successes in all three areas but I'm particularly pleased with our work tackling drugs offences. In the last year we seized more than £600,000 when targeting county lines drug dealing, arrested 314 people in connection with drug related offences and seized 168 weapons. The work of the Charter will continue and we are making sure it can adapt and evolve to reflect the changing needs of our communities.

Our dedication to our communities is supported by our continued growth. As a result of funding by both central Government and the local precept increase we saw 91 additional officers join us in the past year. Our recruitment activity this year will see us bring in an extra 125 officers, which will help us be more visible to you. We are working to recruit an increasingly diverse workforce and to ensure that West Mercia Police is not only reflective of our communities but also a place where everyone, no matter what their background, would want to work for and would be welcomed.

Major investments have been made in modernising our digital infrastructure and systems, this is vital work to make us more effective and efficient and to support us in providing even better services for you. Ensuring that officers and staff have the best equipment and use of cutting edge technology will ensure that they can be even more visible, meeting your needs more effectively.

For the last year we have all been living with significant restrictions as a result of the COVID-19 pandemic, with the roadmap out of lockdown only beginning in March 2021, and we mustn't forget the impact that has had. However, whilst it was anticipated that crime would increase compared to pre-Covid levels, total recorded crime in West Mercia has remained comparable to volumes seen before the pandemic.

Over the last year I have been really proud to see outstanding work from officers and staff alike, striving to protect you from harm and to give you an excellent service for your money and I am confident that this will continue.

**Pippa Mills**

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## Section 1 - Strategy & Structure

The PCC, in conjunction with the Chief Constable, sets out his strategic direction in the Police and Crime Plan, which sets the overarching objectives for the Force in light of the national Strategic Policing Requirement, local public consultation and risk assessments. The PCC plan is developed in conjunction with the Chief Constable.

The Strategic Policing Requirement is under review but at present 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.

A critical element of Home Secretary's strategic priority for there to be a relentless focus on cutting crime are the new National Crime and Policing Measures, which set out the Government's key national priorities on crime. These measures fall under the following headings:

- Reduce murder and other homicides
- Reduce serious violence
- Disrupt drugs supply and county lines
- Reduce neighbourhood crime
- Tackle cyber crime
- Improve satisfaction among victims – with a particular focus on victims of domestic abuse

The current Police and Crime Plan, called the Safer West Mercia Plan 2021 - 2025, has been published following the re-election of John Campion in May 2021. The Plan is built on the same overarching objectives as the previous plan and has regard to the national priorities set out above, as well as from consultation with the public of West Mercia. The four overarching objectives in the Safer West Mercia Plan are:

- Putting victims first,
- Building a more secure West Mercia,
- Reforming west Mercia and
- Reassuring communities

A full copy of the Plan can be found on the PCC's website.

The PCC supports many of these priorities directly through the Office of the Police and Crime Commissioner. The PCC provides funding through commissioning activity, grant schemes and extensive community engagement work, which includes working particularly closely with the local Community Safety Partnerships.

The Safer West Mercia Plan provides the overarching vision for the development of the operating model used by the force to prevent and reduce crime, particularly those priorities

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reflected in the national and local plans. A suite of performance metrics to monitor progress against the commitments in the Safer West Mercia Plan have been agreed with the force.

In September 2021 a new Chief Constable, Pippa Mills was appointed following the retirement of Anthony Bangham. The Chief Constable has set her strategic direction which reflects the priorities highlighted above as well as the Forces approach to tackling crime. The vision, values and policing priorities for West Mercia are shown in Diagram 1 below, which sets out how our values and code of ethics support the vision to protect people from harm.

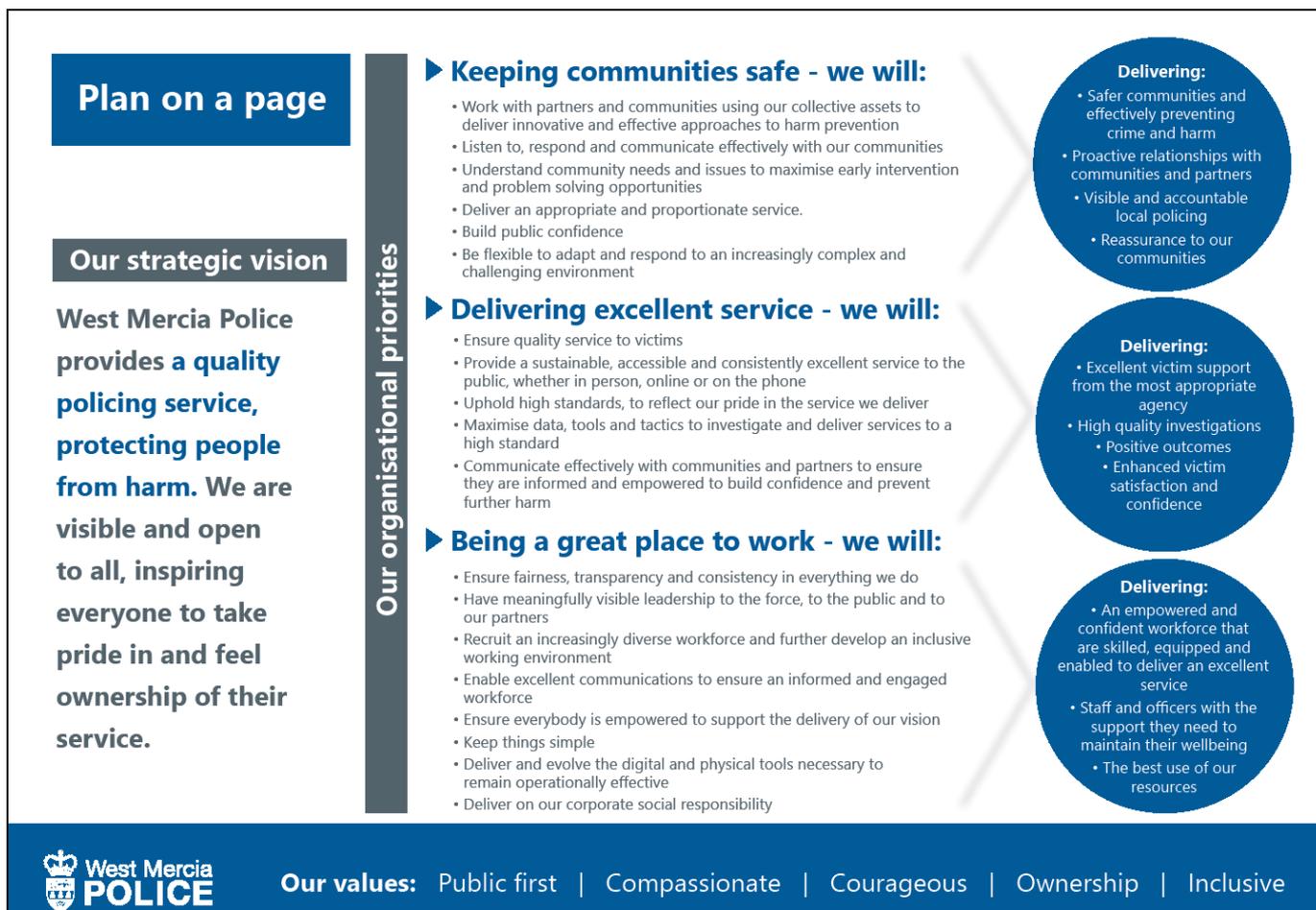
Diagram 1.



Diagram 2 shows the organisational 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 keeping communities safe, delivering excellent service and being a great place to work. The priorities are set and led by the Chief Officer team.

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Diagram 2.



The vision of West Mercia Police is to ‘provide a quality policing service, protecting people from harm’. Achieving the vision relies on our workforce; police officers, police community support officers, police staff, special constables and volunteers.

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
<b>Total</b>	<b>4,317</b>	<b>2.80</b>	<b>49.77</b>	<b>50.23</b>

**Section 2 – Governance**

The Corporate Governance Framework sets out the parameters for decision making, including the delegations, consents, financial limits for specific matters and for contracts. The West

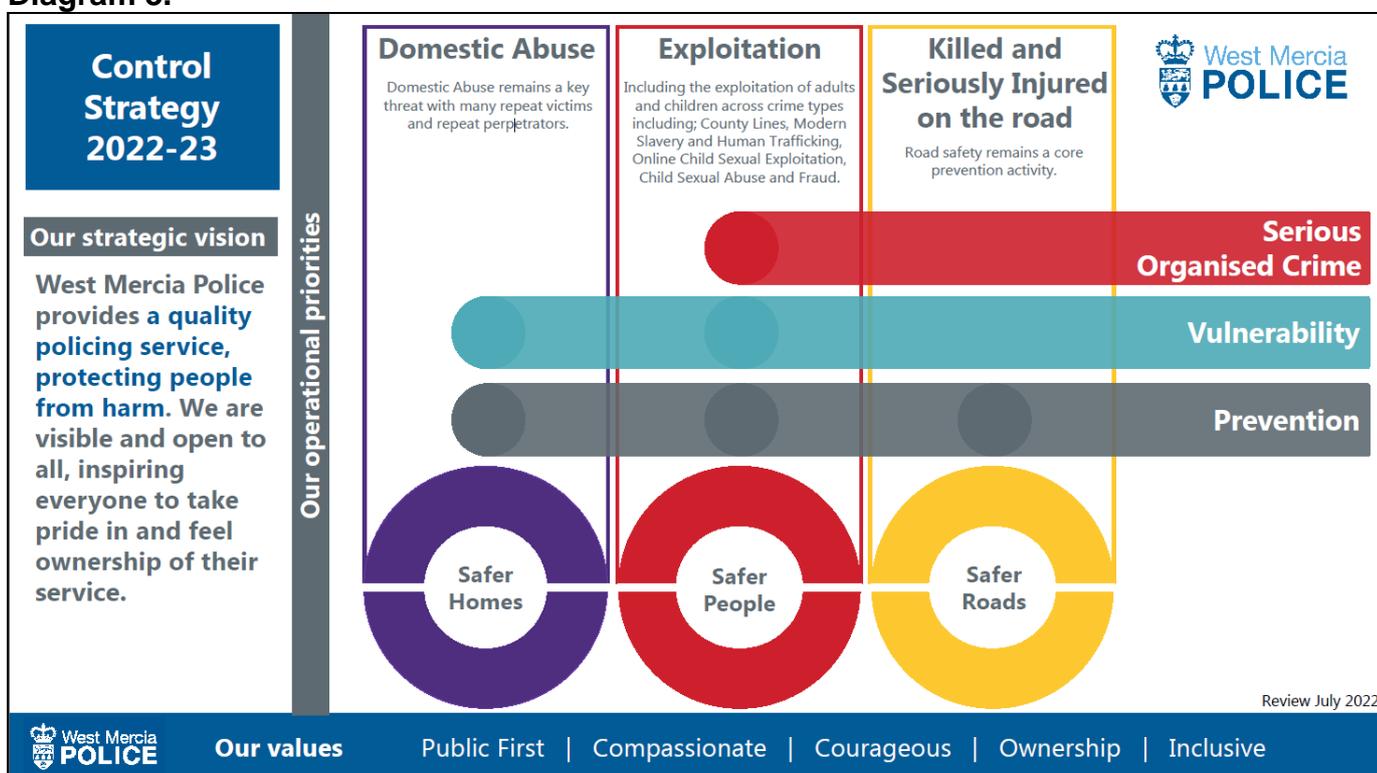
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Mercia Governance Board has been established to govern West Mercia Police and the Office of the Police and Crime Commissioner. The Board ensures that there is the right vision, mission, objectives, culture and strategy to achieve the organisations’ purposes with robust processes for formulating, implementing and monitoring these and ensuring that the right resources are in place.

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 3 shows the Control Strategy that is in place.

**Diagram 3.**



The Chief Constable controls specific actions through various policies and procedures, the behaviours of the workforce and culture of the Force are shaped by the values set out above and the national Code of Ethics. The main decision making meeting for the force is the Executive Board, which meets monthly and is chaired by the Chief Constable. The Board receives regular reports on operational performance and the financial position.

The Chief Constable and the PCC are required to formally review the governance arrangements annually, the results of which are contained in the Annual Governance Statement (AGS). The Chief Constable has a Joint AGS with the PCC, which is published alongside the Accounts. It provides a detailed explanation of both the PCC’s and Chief Constable’s governance framework and demonstrates how it is designed to help deliver the objectives set out in the Police and Crime Plan and manage risk.

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### **Section 3 – Achievements in 2021/22**

During the financial year there has been many positive outcomes from the budget investment made, including:

- The Local Policing Community Charter was launched in March 2021, a document that outlines the force's ongoing commitment to improving local policing and the concerns of communities. The Charter sets out six key themes: visibility and accessibility of neighbourhood policing teams; responding to our communities; prevention; vulnerability; relationships; and partnerships.
- The addition of 91 extra police officer posts in the 2021/22 budget has helped meet the challenges of increasing demand and the changing nature of crime giving greater visibility, capacity and resilience.
- Major investments have been made in modernising West Mercia Police, enabling it to be a more effective and efficient digital organisation. Much of this work continues behind the scenes, improving the infrastructure and systems that police rely on daily to carry out their vital work. This is part of a long term plan to enable the force to provide even better services to local communities.
- Over 1,000 frontline officers and staff received specialist domestic abuse training, with the training being mandatory for student officers.
- The Digital Forensics Transformation, whilst in the early phase of the three year programme, has already delivered 50% of the 'on-scene' team which includes a focus on child abuse and child sexual exploitation. The project delivers improved services for victims and communities.

### **Section 4 - Policing Performance**

The Chief Constable, in conjunction with the PCC, has identified a suite of performance metrics to monitor progress against the commitments in the Safer West Mercia Plan, including the National Priorities for Policing. Existing performance products, including the West Mercia Police Quarterly Performance Report will be used to report against the agreed metrics.

The Force performance framework uses a reporting hierarchy to monitor performance across the whole organisation at gold (strategic), silver (service) and (bronze) operational levels. The Force produces a number of performance products in support of the framework and performance is reviewed as part of the quarterly Force Delivery Group (FDG) meeting.

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.

It is acknowledged that West Mercia 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 issues and respond to concerns that are raised with them and to ensure that we learn from our experiences. The PCC and his office

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also hold the Chief Constable to account and any arising issues may also be investigated and reported through these channels.

Table 6 is a summary of force performance for 2021/22 against the various categories of crime. The COVID pandemic had a considerable impact on crime trends from the end of March 2020 when the first lockdown period began. Significant reductions in crime were seen across 2020/21 for the majority of crime types, with greatest reductions being recorded during periods of national lockdown. Patterns and volumes of offending subsequently increased in 2021/22 as COVID restrictions were eased.

Given the unprecedented impact of the pandemic on crime recording, it has become standard practice to use 2019/20 crime volumes as the baseline for comparison to understand longer term trends.

**Table 6. Policing performance 2021/22**

Crime Type	2021/22	2020/21	2019/20	% Change 2019/20 to 2021/22
Homicide	19	18	12	58%
Violence With Injury	11,143	8,906	11,135	0%
Violence Without Injury	27,015	22,527	23,314	16%
Rape	1,461	1,165	1,228	19%
Other Sexual Offences	2,575	1,950	2,165	19%
Business Robbery	54	28	59	-8%
Personal Robbery	497	447	593	-16%
Burglary - Residential (dwelling only)	2,047	1,868	2,718	-25%
Burglary – Business & Community	2,496	2,778	3,863	-35%
Vehicle Offences	4,406	3,398	5,280	-17%
Theft from Person	429	312	729	-41%
Bicycle Theft	619	838	824	-25%
Shoplifting	6,072	4,960	7,611	-20%
All Other Theft Offences	6,919	5,588	7,970	-13%
Criminal Damage & Arson	8,746	7,809	9,595	-9%
Drug Offences	2,152	2,725	2,290	-6%
Possession of Weapons	858	807	949	-10%
Public Order Offences	8,016	5,114	5,408	48%
Misc. Crimes Against Society	1,539	1,457	1,374	12%
<b>Total Recorded Crime</b>	<b>87,063</b>	<b>72,695</b>	<b>87,117</b>	

Total incidents recorded by the force in 2021/22 decreased by 15%, and incidents of anti-social behaviour decreased by 9% compared to 2019/20. Of all crime types, traditional acquisitive offences have seen the steepest decline in recording compared to 2019/20.

Theft from person offences declined by 41%, shoplifting offences declined by 20%; vehicle offences declined by 17%, and 'other' theft offences declined by 13%. Notable reductions in recording have also been seen for high harm acquisitive offences which impact on communities including a 35% reduction in business & community burglaries, a 25% reduction in residential burglaries and a 15% reduction in total robbery offences.

Whilst volumes of violence with injury offences have remained stable, there has been an increase in homicide offences. Analysis undertaken by West Mercia Police suggests there are 3 key homicide drivers: domestic abuse, mental health and serious & organised crime. These major and complex crimes have a significant impact on the organisation in terms of capacity and resources.

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Further exceptions to falling crime volumes in 2021/22 include violence without injury; sexual offences and public order offences. The latest data from the Office of National Statistics (ONS) confirms that increases in these offence types have been recorded by police forces regionally and nationally. Following a reduction in recording in 2020/21, the volume of domestic abuse offences has returned to the levels seen previously.

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 latest West Mercia PEEL report was issued in April 2022 looking at performance during 2021/22. HMICFRS graded West Mercia Police’s performance across eight areas of policing and found the force was ‘good’ in one area, ‘adequate’ in four areas and ‘requires improvement’ in three areas.

**Diagram 4 – HMICFRS 2021/22 PEEL assessment**

Outstanding	Good	Adequate	Requires improvement	Inadequate
	Preventing crime	Treatment of the public	Investigating crime	
		Protecting vulnerable people	Responding to the public	
		Managing offenders	Good use of resources	
		Developing a positive workplace		

The Report commended West Mercia for an innovative approach to early intervention and prevention of crime and anti-social behaviour across our counties of Herefordshire, Shropshire and Worcestershire. West Mercia Police has invested in all its operational policing areas, and improvements are evident in aspects such as community policing and the management of offenders and suspects. But there are still improvements needed.

HMICFRS’s assessment was that West Mercia needs to do more to improve supervision of investigations and the quality and consistency of updating victims. Improvement work focusing on the standard of investigations and providing a better service to victims through improved and meaningful contact is well underway as part of Operation Reset. The budget for 2022/23 provides additional funding to ensure that the investigation department has the resources that it needs.

The report did recognise that emergency calls are answered promptly but more can be done to ensure each victim is provided appropriate advice. The budget for 2022/23 includes resources for a new vulnerability desk in the Operations Communications Centre. This will identify and support the most vulnerable people coming into contact with police, at the earliest possible opportunity.

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The technology that the Force operates with and use of data held needs improvement, and that was recognised by the Inspectorate. West Mercia are two years into a four year investment programme to modernise our digital service and the way that we use data to keep the public safe. A pilot to test the use of Microsoft 365 trial is due to start in the summer of 2022.

Full details of the HMICFRS inspections, along with the response from the PCC can be found on the PCC's Website

The Chief Constable and PCC 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 challenges – the delivery of the financial savings will continue to be challenging, particularly so given the uncertain economic climate;
- Information quality - data inputted into systems, being used for formulating decisions must be accurate and legally compliant;
- ICT capacity and capability - infrastructure and systems are being reviewed and updated to ensure that this critical resource and enabler can support operational policing and other functions.

## **Section 4 - 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.

By contrast the Accounts includes income and expenditure that are measured and reported in accordance with proper accounting practice and conventions as set out, chiefly, in The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). A reconciliation between the figures used to produce the outturn, explained in the following paragraphs and those contained in the Accounts is provided in Note 1.

During 2021/22 there has been a return to business as usual practices as COVID-19 restrictions have been slowly rolled back over the course of the financial year. West Mercia set a budget for

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the financial year to include the impact of changes to working practices as a result of COVID-19. However there has been other external factors which have had financial implications on West Mercia, including from Brexit, global supply chain issues and rising demand for energy, exacerbated by the Ukraine Crisis. In 2021/22 the principal impact has been on the ability to recruit staff in a competitive employment market and to receive all goods ordered, particularly in respect of fleet purchases. We are working closely with supply chains to ensure we can access goods as quickly as possible. Cost inflation pressures started to impact towards the end of the financial year, but are a greater risk to the 2022/23 budgets.

**Table 2. Funding 2021/22**

Where the Money Came From	Revised Budget £m	Actual £m
Central Government Funding	126.227	126.227
Locally Raised Funding – Precept (Council Tax)	118.812	118.716
<b>Total Funding (excluding reserves)</b>	<b>245.039</b>	<b>244.943</b>
Funding (from) / to Reserves	(0.423)	0.613
<b>Total Funding (including reserves)</b>	<b>245.462</b>	<b>244.330</b>

The PCC agreed a 2021/22 net revenue budget of £245.462m which includes the use of £0.423m of reserves. The budget is supported through the council tax precept charge on Council Tax Payers of £240.19 (Band D equivalent) which is an increase of 6.66% on 2020/21 charge

Table 3 provides an analysis of the West Mercia Police budget and the outturn based on the expenditure incurred:

**Table 3. The PCC and Chief Constable Outturn for year ended 31 March 2022**

West Mercia Police	Budget £m	Budget Adjustments £m	Revised Budget £m	Actual £m	Variance £m
Police officers' pay	125.811	(0.284)	125.527	124.957	0.570
Police officers' overtime	2.391	0.582	2.973	3.863	(0.890)
Police staff pay	62.144	5.305	67.449	69.216	(1.767)
Police staff overtime	0.566	0.129	0.695	0.756	(0.061)
PCSO pay	7.430	0.000	7.430	7.158	0.272
Police pensions	3.776	0.000	3.776	3.202	0.574
Other Employee Expenses	2.025	(0.021)	2.004	1.942	0.062
Premises	8.846	0.148	8.994	9.122	(0.128)
Transport	4.135	0.094	4.229	4.234	(0.005)
Supplies & Services	33.459	0.686	34.145	26.507	7.638
Third Party Payments	16.118	(0.560)	15.558	17.707	(2.149)
Capital Financing	5.210	0.000	5.210	8.024	(2.814)
<b>Expenditure</b>	<b>271.911</b>	<b>6.079</b>	<b>277.990</b>	<b>276.688</b>	<b>1.302</b>
Income	(27.073)	(5.455)	(32.528)	(36.575)	4.047
<b>Net Expenditure</b>	<b>244.838</b>	<b>0.624</b>	<b>245.462</b>	<b>240.113</b>	<b>5.349</b>

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<b>External Funding</b>	(245.039)	0.000	(245.039)	(244.943)	(0.096)
<b>Reserves utilised</b>	0.201	(0.624)	(0.423)	0.613	(1.036)
<b>Outturn</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(4.217)</b>	<b>4.217</b>

	<b>Budget £m</b>	<b>Budget Adjustments £m</b>	<b>Revised Budget £m</b>	<b>Actual £m</b>	<b>Variance £m</b>
Office of the PCC	16.178	(1.740)	14.438	13.027	1.411
Chief Constable	228.660	2.364	231.024	227.086	3.938
<b>Group Gross Outturn Expenditure</b>	<b>244.838</b>	<b>0.624</b>	<b>245.462</b>	<b>240.113</b>	<b>5.349</b>
Funding & Reserves	(244.838)	(0.624)	(245.462)	(244.330)	(1.132)
<b>Outturn</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(4.217)</b>	<b>4.217</b>

West Mercia's net expenditure in 2021/22 was £240.113m and included a net contribution to reserves of £0.613m. Included in the reported outturn is a one-off contribution to capital of £3.5m. At the year end the Outturn Report (reported to West Mercia Governance Board on the 17/05/22) showed that there was a £7.717m underspend. This meant that there was an opportunity to reduce the cost of debt in future years. This contribution to capital funding will reduce both the debt held and the cost of servicing that debt by £510k in 2022/23 and as an ongoing revenue saving over the next 10 years. This revenue saving can be invested back in policing services. After accounting for this as part of the Capital Financing expenditure above, the remaining underspend of £4.217m has been transferred to reserves.

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

**Police Officer Pay – Underspend of £0.570m**

- The underspend of £0.570m represents a 0.5% variance against a budget of £125.527m. Whilst this small variance is welcome, there is further work to be done to ensure that police officer budgets are in the appropriate division to reflect deployment.

**Police Officer overtime – Overspend of £0.890m**

- Overtime has exceeded the budget due to specific major operations, of which additional income can be claimed to offset the majority of the costs. The workload requirements of officers such as from football matches are factors that caused the budget pressures in year.

**Police Staff Pay – Overspend of £1.767m**

- Due to the continuation of hosted services for Warwickshire into the 2021/22 financial year there was additional cost of employing staff to service this contract, offset by additional income received.
- In the public contact centre there was an overspend of £0.613m due to low turnover.
- There were savings to offset this from the Change and Transformation programme of £1.075m as challenges in the employment market has meant that there were vacant posts within the team.

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**Supplies and Services – Underspend of £7.638m**

- A considerable investment has been made in ICT to improve the aging infrastructure, however there has been £3.5m of savings against the budget of £18m as costs associated with supporting and replacing the Network infrastructure, Hardware Support & Maintenance and Software purchases in the year have not been realised.
- In September 2021 West Mercia agreed to deliver a hosted ICT service to Warwickshire Police. Uncertainty around what service levels would be required has led to an underspend of £593k as not all predicted costs were incurred.

**Third Party Payments – Overspend of £2.149m**

- Due to the continuation of hosted services for Warwickshire into the 2021/22 financial year there was additional cost of contracts for suppliers of licences etc to service this contract, offset by additional income received.
- £0.737m of the overspend was due to not being able to meet savings targets which were acknowledged to be unachievable during the year.

**Capital Financing – Overspend of £2.814m**

- The £3.5m contribution to capital which was made at the end of the financial year resulted in an overspend on capital financing, this was offset by savings from a lower than expected capital outturn.

**Income – Over-recovery of £4.047m**

- The OPCC Commissioning team was able to bid and access an additional £1.916m of grants and funding during 2021/22 above the budget. This income was passed onto partners to support victims of crime and in schemes to prevent crime from occurring.
- As reported above there was additional income received in the year offsetting additional costs reported above. Principally from the continuation of provision of services to Warwickshire Police which was not expected to have continued when the budget was set.

In addition to the spending on day-to-day activities, the CC 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.

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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 5 - Value for Money**

Both the PCC and Chief Constable have a duty to provide efficient and effective policing at an affordable cost. A key area for ensuring this is effective governance and oversight. Financial management arrangements are in place to ensure robust spending decisions are made by Budget Holders. Oversight of the total budget by West Mercia Governance Board ensures that there is comprehensive overview of financial performance. These are supported by Force Delivery Group, Change and Transformation Board and Estates Board to ensure that key projects are delivering improved effectiveness, efficiency and economy based on business cases.

The PCC and Force have faced significant financial challenges, despite this a sustainable financial position has been achieved. The Force has demonstrated a record of delivering savings over the past 5 years and the PCC has established a sustained level of reserves to manage financial risks, all in the context of the COVID-19 cost pressures, emerging global economic issues, and the withdrawal from the Strategic Alliance with Warwickshire Police.

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 over the medium term.

Throughout 2021/22, 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 benefits realisation. The benefits realised 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 Service has been redesigned following the decision of Worcestershire County Council to withdraw from a joint operation: Place Partnership Limited. The PCC has taken control of the Estates Service bringing 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 has been approved during 2021/22 and prioritisation of key projects such as the Joint Redditch Fire and Police Station and ensuring that the Firearms Training Unit is fit for purpose have been commenced. Alongside this is the work being undertaken to ensure that all the estate is fit for purpose and running efficiently. This has commenced with an assessment of the full updated condition of the estate.

### **Section 6 - 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.

## Narrative Report

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In setting the 2022/23 budget the PCC has regard to a wide range of factors including:

- Priorities within the Safer West Mercia Plan;
- National targets and objectives including the officer uplift programme and strategic policing requirement;
- The outcome of public consultation;
- Plans and policies of other partner agencies relating to community safety and crime reduction;
- The major investigation into allegations of manslaughter and corporate manslaughter at Shrewsbury and Telford Hospitals NHS Trust.

The PCC agreed a 2022/23 net revenue budget of £260.485m which includes reserves movement of £1.073m resulting in a budget requirement of £259.412m. The budget is funded by

- £145.382m of government funding, which has increased by £7.181m compared to 2021/22;
- £113.584m from the Council Tax through the precept, which increased by 3.94% in 2022/23;
- £0.312m contribution from a predicted surplus on Collection Fund Balances.

The PCC continues to set a balanced budget and the force is living within its means, with reserves focused on being used on non-recurring expenditure. This financial discipline is important as it brings stability and places West Mercia Police in a strong position to deal with financial challenges in 2022/23 and beyond. These will include budget pressures through increased price and pay inflation, and the ongoing costs of transforming and modernising policing.

The largest single additional investment in this budget is on an additional 55 officers in Local Investigations. 40 of which are to directly increase the capacity of the team and to reinforce police investigations at a cost of £1.043m in 2022/23. This investment is intended to ensure that specialist resources maintain and retain ownership of more local investigations, ensuring the best possible service to victims of crime and freeing up Safer Neighbourhood Teams to spend more time on the most visible, accessible community policing that the public value so much.

### **Section 7 - Environmental Scanning**

A Strategic Assessment has been undertaken for 2022/23 which develops a view of the current policing environment. This includes the threat from crime and the changing situation in relation to macro issues such as the political and financial state and how they might impact on our communities and how we police. 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. As set out in Diagram 4 the current assessment has a focus on Prevention moving to a more primary and secondary prevention approach in tackling crime. Taking a public health approach by working closely with partners to target the known risk factors for crime in increasing driving police activity.

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## Section 8 - 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.

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 8. 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

## Narrative Report

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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 7 provides detailed analysis of the adjustments contained in the MIRS;

- The **Balance Sheet**, which shows the value as at the 31 March 2022 of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by the usable and unusable reserves, which hold the transfers from the CIES, which have moved through the MIRS;
- The **Cash Flow Statement**, which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes;
- **Notes to the Accounts**, these comprise a detailed analysis of the summarised financial information in the Core Financial Statements, including the new Expenditure and Funding Analysis (Note 1);
- **Police Officer Pension Fund Account** - This identifies the payments in and out of the Police Officers Pension Fund Account for the year;
- The **Annual Governance Statement** – This section describes how the Chief Constable conducts business in accordance with proper standards and presents the findings from the annual review of the effectiveness of systems of internal control. The Annual Governance Statement does not form part of the Accounts but is included here for reporting purposes.

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

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

The following figures reported in the Accounts are of note:

The CIES shows a deficit on the provision of services of £65.403m. 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 2022 is £2,896.7m. However, in considering the impact that this has on the financial position of the CC it must be remembered that:

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

Further information about the IAS 19 liability can be found under Note 20, and information about the Police Pensions Fund Account can be found on page 61.

## Statement of Accounting Policies

### **i. General Principles**

The Statement of Accounts summarises the Chief Constable's transactions for the 2021/22 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 2021/22 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. The Statement of Accounts have been prepared on the basis that the Force is a going concern.

### **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 2021/22.

### **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.

Statement of Accounting Policies

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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.

**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 her 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

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## **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

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- the liabilities of the pension fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of anticipated earnings for current employees.
- International Accounting Standard (IAS) 19 requires the nominal discount rate to be set by reference to market yields on high quality corporate bonds or where there is no deep market in such bonds then by reference to government bonds.
- the PPS liabilities are discounted using the nominal discount rate based on government bond yield of appropriate duration plus an additional margin and the LGPS liabilities are discounted to their value at current prices, using a discount rate based on corporate bond yields at 31 March 2022.
- 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.

Statement of Accounting Policies

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- **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
  - **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.

Statement of Accounting Policies

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**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 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.

Statement of Accounting Policies

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**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.

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 17 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 her officers has the responsibility for the administration of those affairs. In this organisation that officer is the Director 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 2021/22.

**Pippa Mills**

**The Chief Constable of West Mercia Police**

**Date:**

### Responsibilities of the Director of Commercial Services

The Director 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 2021/22(the Code).

In preparing this Statement of Accounts, the Director 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 Director 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 7th July 2022 by authority of the Director 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 2022.

**Richard Muirhead**

**Director of Commercial Services**

**Date: 7<sup>th</sup> July 2022**

Independent Auditor's Report

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**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 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.

2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000		Notes	2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000
286,866	0	286,866	Policing Services		300,973	0	300,973
<b>286,866</b>	<b>0</b>	<b>286,866</b>	<b>Cost of Policing Services</b>	<b>1</b>	<b>300,973</b>	<b>0</b>	<b>300,973</b>
(251,131)	0	(251,131)	PCC's funding for Resources Consumed	9	(255,970)	0	(255,970)
<b>35,735</b>	<b>0</b>	<b>35,735</b>	<b>Net Cost of Policing Services</b>				<b>45,003</b>
		58,490	Financing and investment net expenditure (Note 20)				57,785
		(30,719)	Home Office Grant Towards the Cost of Retirement				(37,385)
		<b>63,506</b>	<b>Deficit on Provision of Services</b>				<b>65,403</b>
		228,455	Re-measurement of the net defined benefit liability (Notes 5 and 20)				(55,606)
		<b>228,455</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>				<b>(55,606)</b>
		<b>291,961</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>				<b>9,797</b>

## Movement in Reserves Statement (MIRS)

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

	Notes	Police Fund Balance	Unusable Reserves	Total Chief Constable Reserves
		£000	£000	£000
<b>Opening Balance at 1 April 2020</b>		<b>0</b>	<b>(2,600,674)</b>	<b>(2,600,674)</b>
<b>Movement in reserves during 2020/21</b>				
<b>Total Comprehensive Income and Expenditure</b>	20	<b>(63,506)</b>	<b>(228,455)</b>	<b>(291,961)</b>
Adjustments between accounting basis and funding basis under regulations	7	63,506	(63,506)	0
<b>Net Increase before transfers to Earmarked Reserves</b>		<b>0</b>	<b>(291,961)</b>	<b>(291,961)</b>
Transfers to/from Earmarked Reserves		0	0	0
<b>Increase/(Decrease) in Year</b>		<b>0</b>	<b>(291,961)</b>	<b>(291,961)</b>
<b>Balance at 31 March 2021 Carried Forward</b>		<b>0</b>	<b>(2,892,635)</b>	<b>(2,892,635)</b>
<b>Movement in reserves during 2021/22</b>				
<b>Total Comprehensive Income and Expenditure</b>	20	<b>(65,403)</b>	<b>55,606</b>	<b>(9,797)</b>
Adjustments between accounting basis and funding basis under regulations	7	65,403	(65,403)	0
<b>Net Increase before transfers to Earmarked Reserves</b>		<b>0</b>	<b>9,797</b>	<b>(9,797)</b>
Transfers to/from Earmarked Reserves		0	0	0
<b>Increase/(Decrease) in Year</b>		<b>0</b>	<b>9,797</b>	<b>(9,797)</b>
<b>Balance at 31 March 2022 Carried Forward</b>		<b>0</b>	<b>(2,902,432)</b>	<b>(2,902,432)</b>

## 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 2021		Notes	31 March 2022
£000			
<b>0</b>	<b>Long Term Assets</b>		
7,244	Short Term Debtors and other current assets	15	9,784
2,312	Intra-Group Debtor	9	1,040
<b>9,556</b>	<b>Current Assets</b>		<b>10,824</b>
(14,983)	Short Term Creditors	16	(16,597)
(361)	Provisions	17	0
0	Intra-Group Creditor	9	0
<b>(15,344)</b>	<b>Current Liabilities</b>		<b>(16,597)</b>
(2,886,847)	Liability Relating to Defined Benefit Pension Schemes	20	(2,896,659)
<b>(2,886,847)</b>	<b>Long Term Liabilities</b>		<b>(2,896,659)</b>
<b>(2,892,635)</b>	<b>Net Liabilities</b>		<b>(2,902,432)</b>
(2,892,635)	Unusable Reserves	8	(2,902,432)
<b>(2,892,635)</b>	<b>Total Reserves</b>		<b>(2,902,432)</b>

The unaudited Statement of Accounts were issued on 7<sup>th</sup> July 2022.

Director 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.

2020/21 £000		Notes	2021/22 £000
63,506	<b>Net deficit on the provision of services</b>		65,403
(63,506)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	19	(65,403)
0	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		0
<b>0</b>	<b>Net cash flows from Operating Activities</b>		<b>0</b>
0	Investing Activities		0
0	Financing Activities		0
<b>0</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>0</b>
0	Cash and cash equivalents at the beginning of the reporting period		0
<b>0</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>0</b>

## 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 CCs in comparison with those resources consumed or earned by CCs in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the CC's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

	2021/22 Net Expenditure Chargeable to the Police Fund Balances	2021/22 Adjustments between the Funding and Accounting Basis	2021/22 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	255,195	45,778	300,973
<b>Net Cost of Policing Services</b>	<b>255,195</b>	<b>45,778</b>	<b>300,973</b>
Funding from the PCC	(255,195)	(775)	(255,970)
Other income and expenditure	0	20,400	20,400
<b>(Surplus) or deficit on provision of Services</b>	<b>0</b>	<b>65,403</b>	<b>65,403</b>

Opening Police Fund at 31 March 2021	0
Less Deficit on Police Fund in Year	0
<b>Closing Police Fund at 31 March 2022</b>	<b>0</b>

	2020/21 Net Expenditure Chargeable to the Police Fund Balances	2020/21 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
<b>Net Cost of Policing Services</b>	<b>245,129</b>	<b>41,737</b>	<b>286,866</b>
Funding from the PCC	(245,129)	(6,002)	(251,131)
Other income and expenditure	0	27,771	27,771
<b>(Surplus) or deficit on provision of Services</b>	<b>0</b>	<b>63,506</b>	<b>63,506</b>

Opening Police Fund at 31 March 2020	0
Less Deficit on Police Fund in Year	0
<b>Closing Police Fund at 31 March 2021</b>	<b>0</b>

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

## Adjustments between Funding and Accounting Basis

2021/22					
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	45	45,018	(792)	1,507	45,778
<i>Net Cost of Services</i>	45	45,018	(792)	1,507	45,778
Funding from the PCC	(45)	0	792	(1,522)	(775)
Other income and expenditure from the Funding Analysis	0	20,400	0	0	20,400
<b>Difference between Police Fund surplus or deficit and CIES surplus or deficit</b>	<b>0</b>	<b>65,418</b>	<b>0</b>	<b>(15)</b>	<b>65,403</b>

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
<b>Difference between Police Fund surplus or deficit and CIES surplus or deficit</b>	<b>0</b>	<b>62,258</b>	<b>0</b>	<b>1,248</b>	<b>63,506</b>

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

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

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

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

Notes to the Financial Statements

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

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

**Note (iv) Other Adjustments** – this column reflects timing differences relating to accruing for compensated absences earned but not taken in the year (absorbed by the Accumulated Absences Account). Also included is £1.522m (£0.853m in 2020/21) in respect of the training costs funded by the government from the Apprenticeship Levy.

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

2020/21 £000		2021/22 £000
125,024	Police officers pay	128,821
70,292	Police staff pay	72,073
3,588	Police pensions	3,202
2,664	Other Employee Expenses	3,329
71,625	Pensions current cost of service	83,399
(38,248)	Cost of pensions based on cash flows	(39,181)
1,248	Accumulated absences	(16)
1,110	Non distributed costs	801
41,111	Other service expenditure	40,532
8,096	Depreciation, Amortisation, Revaluation Loss and REFCUS (see glossary)	6,768
356	Capital Charges from the PCC to the Chief Constable – net	1,245
58,490	Net interest on the net defined benefit liability	57,785
<b>345,356</b>	<b>Total Expenditure</b>	<b>358,758</b>
(251,131)	Funding from the PCC for financial resources consumed	(255,970)
(30,719)	Government grants and contributions	(37,385)
0	Capital Charges from the PCC to the Chief Constable – net	0
<b>(281,850)</b>	<b>Total Income</b>	<b>(293,355)</b>
<b>63,506</b>	<b>Deficit on the Provision of services</b>	<b>65,403</b>

**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 annual IFRS improvement programme notes four changed standards:

Notes to the Financial Statements

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- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
- IAS 37 (Onerous contracts) – clarifies the intention of the standard;
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material;
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

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 2024, and it is currently not possible to provide an estimate of the impact this may have. Both the 2022/23 and the 2023/24 Codes will allow for early adoption of IFRS 16 should an authority consider that it is able to do so as of 1 April 2022 or 2023, but there are currently no plans for West Mercia to do this.

### **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 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;

Notes to the Financial Statements

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

### **Section 22a Collaborative Agreements with Warwickshire Police**

S22a Collaborative Agreements were agreed between West Mercia Police and Warwickshire Police for four services to be provided to or shared with Warwickshire that commenced in 2020/21. A revised cost sharing mechanism was also agreed. The agreement for hosting Forensics and Transactional Services ended in September 2021 and October 2021 respectively, although the agreement in respect of File Storage continued for the whole of 2021/22. The agreement in respect of ICT services continued as a shared service until October 2021 and then a hosted service arrangement was agreed until April 2023, although notice has since been served by Warwickshire Police and all ICT services will cease to be provided to them in June 2022. Further information can be found in Note 10 to the Accounts.

### **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.

West Mercia Police's share of PPL's Local Government Pension Scheme assets and liabilities were previously incorporated into the Accounts and shown separately in the tables in Note 36. As at 1 April 2022, the actuaries have now included these legacy PPL assets and liabilities into the Chief Constable's LGPS assets and liabilities and are shown as equal and opposite "business combination" entries in the tables in Note 36. Although the new Estates team are part of the Office of the Police and Crime Commissioner and their associated current pensions costs are shown in the PCC's Accounts, as the PPL pensions' assets and liabilities relate to legacy benefits, a judgement has been made to include these in the Chief Constable's Accounts.

## **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 £9.3m compared to 2020/21, 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 2022 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 held no provisions as at 31 March 2022.

Further information regarding Provisions can be found in Note 17.

Notes to the Financial Statements**5. Material items of income and expenditure**

The re-measurement of the net defined benefit liability in the Other Comprehensive Income and Expenditure section of the CIES is a gain of £55.6m, compared to a loss of £228.5m in 2020/21. The change 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 £9.8m to £2,896.7m at 31 March 2022. 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 Director of Commercial Services on 7<sup>th</sup> July 2022. Events taking place after this date are not reflected in the financial statements or notes.

**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.

2021/22	Police Fund Balance
	£000
<b>Adjustments to the Revenue Resources</b>	
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>	
Pensions Costs (transferred to or from Pensions Reserve)	(65,418)
Holiday pay (transferred to the Accumulated Absences Reserve)	15
<b>Total Adjustments</b>	<b>(65,403)</b>

2020/21	Police Fund Balance
	£000
<b>Adjustments to the Revenue Resources</b>	
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>	
Pensions Costs (transferred to or from Pensions Reserve)	(62,258)
Holiday pay (transferred to the Accumulated Absences Reserve)	(1,248)
<b>Total Adjustments</b>	<b>(63,506)</b>

Notes to the Financial Statements**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 2021 £000		31 March 2022 £000
2,886,847	Pension Reserve	2,896,659
5,788	Accumulated Absences Reserve	5,773
<b>2,892,635</b>	<b>Total Unusable Reserves</b>	<b>2,902,432</b>

**(i) Pensions Reserve**

Payments for the cost of post employment benefits and the associated liability are shown in the Chief Constable's Accounts. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable Accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Chief Constable makes employers contributions to pension funds or eventually pays any pensions for which she 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 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:

2020/21 £000		2021/22 £000
<b>2,596,134</b>	<b>Balance as at 1 April</b>	<b>2,886,847</b>
228,455	Re-measurement of the net defined benefit liability	(55,606)
131,225	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	141,985
(68,967)	Employer's pensions contributions and direct payments to pensioners payable in the year	(76,567)
<b>2,886,847</b>	<b>Balance as at 31 March</b>	<b>2,896,659</b>

**(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 2022. Statutory arrangements require that the impact on the Police Fund Balance is neutralised by transfers to or from the Account.

Notes to the Financial Statements

2020/21			2021/22	
£000	£000		£000	£000
	4,540	<b>Balance as at 1 April</b>		<b>5,788</b>
(4,540)		Cancellation of accrual made at the end of the preceding year	(5,788)	
5,788		Amount accrued at the end of the current year	5,773	
	1,248	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		(15)
	<b>5,788</b>	<b>Balance as at 31 March</b>		<b>5,773</b>

## 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 2021/22 amounts to £256.0m (£251.1m in 2020/21). 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 £1.04m (Debtor of £2.3m in 2020/21) 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:

2020/21 £000		2021/22
286,866	Chief Constable's Cost of Services	300,973
58,490	Interest on the net defined benefit liability	57,785
(30,719)	Home Office grant towards the cost of retirement	(37,385)
228,455	Re-measurement of the net defined benefit liability	(55,606)
<b>543,092</b>	<b>Resources consumed</b>	<b>265,767</b>
	<b>Items removed through the MIRS</b>	
(290,713)	Movement in pensions liability	(9,812)
(1,248)	Movement in accumulated absences liability	15
<b>251,131</b>	<b>Total resources consumed for the year by the Chief Constable and funded by the PCC</b>	<b>255,970</b>

## 10. Pooled budgets and joint operations

### Hosted and Shared Services with Warwickshire Police during 2020/21 and 2021/22

Two S22a Collaborative Agreements were agreed between West Mercia Police and Warwickshire Police in 2020/21 for four services that were provided to or shared with Warwickshire during 2020/21 the first half of 2021/22. A revised cost sharing mechanism was

Notes to the Financial Statements

also agreed, with costs being recharged to Warwickshire at 31.7% in 2020/21, amended to 31.8% in 2021/22. The services covered by the s22a agreements were Forensics, Transactional Services / Business Operations Centre, File Storage (all three hosted), and ICT (shared). The hosted service to Warwickshire for Transactional Services ceased from 1 October 2021 and the service for Forensics ceased from 1 September 2021, although there was some residual Forensics “pipeline” work still being provided to Warwickshire up to 31 March 2022 amounting to £0.011m.

Under these arrangements 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, eg external costs from the payroll provider for running Warwickshire’s payroll.

Warwickshire Police directly incurred £0.3m (2020/21: £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.

<b>Hosted Services 2021/22</b>	<b>Trans- actional £000</b>	<b>File Storage £000</b>	<b>Forensics £000</b>	<b>Total £000</b>
Direct Costs of Services:	1,094	55	2,198	3,347
Overheads (including Vehicles for File Storage Team and Forensics)	54	37	210	301
<b>Total Costs for Service:</b>	<b>1,148</b>	<b>92</b>	<b>2,408</b>	<b>3,648</b>
<b>Recharge to Warwickshire @ 31.8%:</b>	<b>(365)</b>	<b>(29)</b>	<b>(766)</b>	<b>(1,160)</b>
Recharge of Direct Overheads:	(37)	(15)	0	(52)
<b>Net Total Payable by Warks to West Mercia:</b>	<b>(402)</b>	<b>(44)</b>	<b>(766)</b>	<b>(1,212)</b>

<b>Hosted Services 2020/21</b>	<b>Trans- actional £000</b>	<b>File Storage £000</b>	<b>Forensics £000</b>	<b>Total £000</b>
Direct Costs of Services:	2,191	63	7,340	9,594
Overheads (including Vehicles for File Storage Team and Forensics)	108	36	356	500
<b>Total Costs for Service:</b>	<b>2,299</b>	<b>99</b>	<b>7,696</b>	<b>10,094</b>
<b>Recharge to Warwickshire @ 31.7%:</b>	<b>(729)</b>	<b>(31)</b>	<b>(2,440)</b>	<b>(3,200)</b>
Recharge of Direct Overheads:	(73)	(1)	0	(74)
<b>Net Total Payable by Warks to West Mercia:</b>	<b>(802)</b>	<b>(32)</b>	<b>(2,440)</b>	<b>(3,274)</b>

Until October 2021 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:

Notes to the Financial Statements

<b>ICT Shared Services 2021/22</b>		
	<b>£000</b>	<b>£000</b>
West Mercia Direct Costs:	4,797	
Direct Overheads (Staff Pay):	75	
Overheads (Premises @ 4% and General @ 2%):	129	
<b>Total West Mercia Costs:</b>	<b>5,001</b>	
<b>Recharge to Warwickshire @ 31.8%:</b>		<b>(1,590)</b>
<b>Total Warwickshire Direct Costs:</b>	<b>672</b>	
<b>Recharge to West Mercia @ 68.2%:</b>		<b>459</b>
Adjustment for costs initially charged to one Force but relating solely to the other		
100% West Mercia Costs Charged to Warwickshire	123	
100% Warwickshire Costs Charged to West Mercia	(168)	(45)
<b>Net Total Payable by Warks to West Mercia:</b>		<b>(1,176)</b>

After October 2021 a Hosted service arrangement was in place for ICT services provided by West Mercia to Warwickshire. Costs amounting to £1.684m were paid by Warwickshire under this arrangement to cover the Hosted Service charges until January 2022 (£0.635m), plus set-up costs (£0.224m), overheads (£0.100m), and the costs of providing certain applications to March 2022 (£0.725m).

<b>ICT Shared Services 2020/21</b>			
	<b>£000</b>	<b>£000</b>	<b>£000</b>
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	
<b>Total West Mercia Costs:</b>		<b>14,264</b>	
<b>Recharge to Warwickshire @ 31.7%:</b>			<b>(4,522)</b>
Warwickshire Total Costs of ICT	2,818		
Less: Warwickshire Only Costs:	(589)		
<b>Total Warwickshire Direct Costs:</b>		<b>2,229</b>	
<b>Recharge to West Mercia @ 68.3%:</b>			<b>1,523</b>
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)
<b>Net Total Payable by Warks to West Mercia:</b>			<b>(3,123)</b>

Notes to the Financial Statements**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; West Mercia Police has now created an in-house Estates team to manage the functions that were being delivered by PPL. Papers have now been filed at Companies House placing PPL into a solvent liquidation and a small balance will be payable to the former Partners with West Mercia's share amounting to an estimated £0.021m.

PPL was 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 and this is reflected in the CIES in that year as part of the PCC's Service line. PPL was not fully consolidated into West Mercia Police's Accounts as a Joint Operation, because there was no material difference to the costs already reflected.

West Mercia Police's share of PPL's Local Government Pension Scheme assets and liabilities as at 31 March 2021 (£15.343m, being 37.7% of £40.698m) were incorporated into the Accounts and shown separately in the tables in Note 36. As at 1 April 2022, the actuaries have now included these legacy PPL assets and liabilities into the Chief Constable's LGPS assets and liabilities and are shown as equal and opposite "business combination" entries in the tables in Note 36. In assessing this position the actuaries took into account the guarantee that was in place between the partners and PPL to ensure that PPL's pension position was fully funded at inception and cessation.

**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 collaboration is agreed between the PCCs for the forces with the operational activity under the direction of the Chief Constables. The aim of WMROCU is to reduce the impact and increase the disruption of serious and organised crime within the region and beyond. West Midlands Police acts as the lead force for this joint arrangement and provides the financial management service for this unit.

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

2020/21 restated with final figures from West Mids		2021/22
£000		£000
(14,721)	Contribution from West Midlands Police	(14,500)
(4,001)	Contribution from West Mercia Police	(3,970)

Notes to the Financial Statements

(3,887)	Contribution from Staffordshire Police	(3,857)
(1,944)	Contribution from Warwickshire Police	(1,928)
(2,399)	WMROCU Grant	(2,399)
(140)	National Cyber Security Programme funding	(365)
(178)	Regional Asset Recovery Team grant	(224)
(482)	ROCU Reserves	(1,156)
(1,096)	Undercover Online Operatives (UCOL) Funding	(1,096)
(112)	Threat Assessment Team (ROCTA) Funding	(122)
(256)	Disruption Team Funding	(155)
(250)	Dark Web Funding	(250)
(34)	Operational Security (OPSY) Income	(67)
<b>(29,500)</b>	<b>Total funding provided to the WMROCU</b>	<b>(30,089)</b>
1,066	Regional Asset Recovery Team (RART)	1,172
187	RART – ACE team	237
739	Regional Cyber Crime Unit	827
320	Regional Fraud Team	389
952	Regional Prisons Intelligence Unit	1,211
63	Operational Security (OPSY)	71
61	Regional Government Agency Intelligence Network (GAIN)	62
1,440	Command Team	1,400
5,679	Regional Confidential Unit	5,660
0	Posts created from underspend	93
765	TIDU – Technical Intelligence	841
252	Enabling Services	312
5,197	Serious and Organised Crime Unit (SOCU)	4,780
7,531	Regional Surveillance Unit (FSU)	7,710
112	Threat Assessment Team (ROCTA)	195
385	Disruption Team	160
249	Dark Web	259
3,649	Other Regional Operations	3,808
853	Additional Contribution to Reserves	902
<b>29,500</b>	<b>Total Expenditure</b>	<b>30,089</b>
<b>0</b>	<b>Total Net Expenditure</b>	<b>0</b>

### 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 £0.612m in 2021/22, (£0.670m in 2020/21) 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 £0.014m and a short term debtor of £0.044m, representing the discounted value of future expected cash flows in 2022/23 and subsequent years. The discount rate applied to future cash flows is

Notes to the Financial Statements

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 and paid during 2021/22 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 2021/22 exit packages. 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	
	2020/21	2021/22	2020/21 £000	2021/22 £000
£0 - £20,000	5	2	25	12
£20,001 - £40,000	1	0	53	0
£40,001 - £60,000	1	1	49	55
£60,001 - £80,000	0	2	0	152
£80,001 - £100,000	1	0	84	0
£100,001 - £150,000	1	0	126	0
£150,001 +	2	0	366	0
<b>Total</b>	<b>11</b>	<b>5</b>	<b>703</b>	<b>219</b>

### 12. Officers' Remuneration

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

#### Senior Officer and Relevant Police Officer Emoluments:

		Salary, Fees & Allowances	Bonuses	Expenses Allowances	Benefits in Kind (e.g. car allowance)	Other Payments (Police Officer only)	Exit Packages	Pension Contributions	Total
		£	£	£	£	£	£	£	£
Chief Constable – Pippa Mills – Note 1	<b>2021/22</b>	84,440	0	0	36,611	0	0	26,176	147,227
	<b>2020/21</b>	0	0	0	0	0	0	0	0

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Notes to the Financial Statements

Chief Constable - Anthony Bangham – Note 1	2021/22	71,818	0	0	3,891	1,962	0	22,263	99,934
	2020/21	155,101	0	0	9,422	4,281	0	48,081	216,885
Deputy Chief Constable 1 – Note 2	2021/22	129,264	0	0	4,746	3,701	0	40,072	177,783
	2020/21	127,950	0	0	6,855	3,700	0	39,665	178,170
Asst Chief Constable 1 – Note 3	2021/22	119,220	0	0	5,927	0	0	36,958	162,105
	2020/21	90,057	0	0	6,772	0	0	27,918	124,747
Asst Chief Constable 2 – Note 4	2021/22	5,630	0	0	0	202	0	1,745	7,577
	2020/21	115,792	0	0	7,541	4,281	0	35,895	163,509
Asst Chief Constable 3 – Note 5	2021/22	0	0	0	0	0	0	0	0
	2020/21	14,919	0	0	0	0	0	4,625	19,751
Asst Chief Constable 4 – Note 6	2021/22	106,972	0	1,239	0	0	0	28,442	136,653
	2020/21	92,744	0	1,239	0	0	0	27,776	121,759
Asst Chief Constable 5 – Note 7	2021/22	7,097	0	0	502	0	0	2,200	9,799
	2020/21	0	0	0	0	0	0	0	0
Director of Business Services	2021/22	112,404	0	0	5,203	0	0	18,434	136,041
	2020/21	104,526	0	0	5,802	0	0	17,142	127,470
Director of Commercial Services	2021/22	99,811	0	0	0	0	0	16,369	116,180
	2020/21	98,796	0	0	0	0	0	16,203	114,999

Notes:

1	Previous Chief Constable retired on 15 September 2021 and the new Chief Constable started on 17 September 2021 (DCC acted up for 1 day). The new Chief Constable's Benefits in Kind element includes £34,758 relating to relocation expenses.
2	Commenced in post on 6 January 2020.
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	Acted up from Chief Superintendent to ACC from 21 October 2019 to 29 December 2019; left the Force 31 May 2020.
6	Temporary promotion to ACC from 2 March 2020 to 14 June 2020, and again from 13 June 2021 to 28 February 2022.
7	Commenced in post 7 March 2022

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:

Notes to the Financial Statements

Number of Employees		Number of Employees
2020/21	Remuneration Band	2021/22
138	£50,000 - £54,999	157
124	£55,000 - £59,999	116
46	£60,000 - £64,999	54
12	£65,000 - £69,999	12
5	£70,000 - £74,999	6
10	£75,000 - £79,999	6
2	£80,000 - £84,999	7
3	£85,000 - £89,999	2
2	£90,000 - £94,999	2
1	£95,000 - £99,999	2
0	£100,000 - £104,999	0
0	£105,000 - £109,999	2
2	£110,000 - £114,999	0
0	£115,000 - £119,999	1
1	£120,000 - £124,999	1
0	£125,000 - £129,999	1
1	£135,000 - £139,999	1
1	£160,000 - £164,999	0
<b>348</b>	<b>Total</b>	<b>370</b>

### 13. External Audit Costs

The Chief Constable Audit Fee for 2021/22 is £15,223 (£21,073 in 2020/21) 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 £64,122 (£61,819 in 2020/21). The PCC's share of the audit fees is £48,899 (£40,745 in 2020/21).

The actual amount charged to the CIES amount to £15,223 for the Chief Constable. This figure includes an allowance for the audit fees charged by Grant Thornton for additional work on the 2019/20 Accounts, over and above that accrued in 2019/20, and for additional work on the 2020/21 Accounts, as well as an estimate for 2021/22 (£15,438 for the Chief Constable which is lower than the actual fees that Grant Thornton have subsequently advised). A rebate of £2,850 was received from Public Sector Audit Appointments in respect of audit fees for 2020/21 and the figures in the CIES are net of this rebate.

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

Notes to the Financial Statements

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. As set out in Note 10, two 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 and part of 2021/22, resulting in income to West Mercia amounting to £4.1m (2020/21: £6.4m); other income from Warwickshire for various services provided during the year amounted to £0.7m.

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 1<sup>st</sup> April 2021, during 2020/21 the remaining partners agreed to dissolve PPL and it ceased trading 31<sup>st</sup> March 2021. Each party held two shares of £1 each which were held by the PCC. Papers have now been filed at Companies House placing PPL into a solvent liquidation.

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

	Expenditure	Income
	£000	£000
Local Authorities in the Policing Area	3,530	(1,884)
Other Local Authorities	78	0
Seconded Police Officers	0	(614)
Other Police Forces	6,688	(5,110)
<b>Total</b>	<b>10,296</b>	<b>(7,608)</b>

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

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

This note shows money owed to the Chief Constable for funding and services provided on or before 31 March 2022 where the money has not been received by this date. Inventories amounting to £0.671m (£0.561m in 2020/21) are now shown as part of prepayments.

31 March 2021 £000		31 March 2022 £000
561	Prepayments	671
6,683	Other Receivables (mainly balance of Police Pensions Top-up Grant)	9,113
<b>7,244</b>	<b>Total Debtors</b>	<b>9,784</b>

**16. Creditors**

This note shows money owed by the Chief Constable for goods and services purchased and received on or before 31 March 2022 where the money has not been paid by this date.

31 March 2021 £000		31 March 2022 £000
(58)	Trade Payables	(97)
(14,925)	Other Payables (including Tax, NI and Pension contributions payable and Accumulated Absences)	(16,500)
<b>(14,983)</b>	<b>Total Creditors</b>	<b>(16,597)</b>

**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 2021/22 financial year but falling into the following financial year; there are no such cases in 2021/22 and no provision is required as at 31 March 2022. The balance of £0.361m as at 1 April 2021 included £0.135m from 2019/20 relating to adjustments to injury pensions in respect of the Evans & Ashcroft case: these were settled in April and May 2021 and the provision amount was fully used in 2021/22.

	Termination Benefits £000
<b>Balance at 1 April 2021</b>	<b>361</b>
Additional provisions made in 2021/22	0
Amounts used in 2021/22	(361)
<b>Balance at 31 March 2022 for the CC</b>	<b>0</b>

Notes to the Financial Statements

No other provisions were charged to the CIES in 2021/22 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 £1.292m.

**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:

2020/21 £000		2021/22 £000
(489)	(Increase)/decrease in revenue creditors	(1,613)
(3,923)	Increase/(decrease) in revenue debtors and inventories	2,539
3,093	Movement in Intra-Group Funding	(1,272)
(62,258)	Movement in pension liability	(65,418)
71	Movement in provisions	361
<b>(63,506)</b>	<b>Total – Group and PCC</b>	<b>(65,403)</b>

**20. Defined Benefit Pension Schemes**

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

**Participation in Pension Schemes**

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

The Chief Constable participates in two defined benefit pension schemes:

- the Local Government Pension Scheme (LGPS), for police staff and PCSOs, administered locally by Worcestershire County Council. This is a funded, defined benefit scheme, meaning that the Chief Constable and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. With effect from 1 April 2014, the LGPS became a career average (CARE) scheme rather than a final salary scheme.

Notes to the Financial Statements

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- 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.

Prior to 1 April 2021, West Mercia's 37.7% share of PPL's LGPS assets and liabilities were incorporated into the Accounts and were 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: a net liability of zero. These assets and liabilities have now been shown as a business combination in the Chief Constable's LGPS liability in the tables below (37.7% of £40.698m being £15.343m).

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, had 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 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.

### **Transactions relating to post-employment benefits**

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

Notes to the Financial Statements

2021/22	LGPS £000	Police Pension Schemes £000	Total £000
<b>CIES</b>			
<b>Cost of Services:</b>			
- current service costs	20,999	62,400	83,399
- past service costs and gain/loss from settlements	401	400	801
<b>Financing and Investment Income and Expenditure</b>			
- net interest expense	4,325	53,460	57,785
<b>Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services</b>	<b>25,725</b>	<b>116,260</b>	<b>141,985</b>
<b>Other Post-Employment Benefits charged to the CIES</b>			
Re-measurement of the net defined benefit liability and return on plan assets	(27,604)	(53,395)	(80,999)
<b>Total Post Employment Benefit charged to the CIES</b>	<b>(1,879)</b>	<b>62,865</b>	<b>60,986</b>
<b>MIRS</b>			
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(25,725)	(116,260)	(141,895)
<b>Actual amount charged against the Police Fund Balance for pensions in the year</b>			
- employers' contributions payable to the scheme	10,998	62,778	73,776
- benefits paid direct to beneficiaries		2,790	2,790

2020/21	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
<b>CIES</b>				
<b>Cost of Services:</b>				
- current service costs	15,978	327	55,320	71,625
- past service costs and gain/loss from settlements	500	0	610	1,110
<b>Financing and Investment Income and Expenditure</b>				
- net interest expense	4,153	(3)	54,340	58,490
<b>Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services</b>	<b>20,631</b>	<b>324</b>	<b>110,270</b>	<b>131,225</b>
<b>Other Post-Employment Benefits charged to the CIES</b>				

Notes to the Financial Statements

Re-measurement of the net defined benefit liability and return on plan assets	23,136	(149)	205,468	228,455
<b>Total Post Employment Benefit charged to the CIES</b>	<b>43,767</b>	<b>175</b>	<b>315,738</b>	<b>359,680</b>
<b>MIRS</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(20,631)	(324)	(110,270)	(131,225)
<b>Actual amount charged against the Police Fund Balance for pensions in the year</b>				
- employers' contributions payable to the scheme	10,804	175	55,298	66,277
- benefits paid direct to beneficiaries	0	0	2,690	2,690

**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:

<b>2021/22</b>	<b>LGPS £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
Present value of the defined benefit obligation	(562,250)	(2,697,081)	(3,259,331)
Fair value of plan assets	362,672	0	362,672
<b>Net liabilities arising from the defined benefit obligation</b>	<b>(199,578)</b>	<b>(2,697,081)</b>	<b>(2,896,659)</b>

<b>2020/21</b>	<b>LGPS £000</b>	<b>LGPS (PPL element) £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
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
<b>Net liabilities arising from the defined benefit obligation</b>	<b>(212,455)</b>	<b>0</b>	<b>(2,674,391)</b>	<b>(2,886,846)</b>

Notes to the Financial Statements**Reconciliation of present value of the scheme liabilities (defined benefit obligation) for the Chief Constable and the group**

<b>2021/22</b>	<b>LGPS £000</b>	<b>LGPS (PPL element) £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
<b>Opening balance at 1 April</b>	<b>(531,264)</b>	<b>(15,343)</b>	<b>(2,674,391)</b>	<b>(3,241,080)</b>
Current service cost	(20,999)	0	(62,400)	(83,399)
Interest cost	(11,447)	0	(53,460)	(64,907)
Contributions by scheme participants	(3,480)	0	(10,920)	(14,400)
Re-measurement of liabilities	13,982	0	28,610	42,592
Business Combinations (PPL - see note above)	(15,343)	15,343	0	0
Benefits paid	6,702	0	75,880	82,582
Past service costs	(3)	0	(400)	(403)
Curtailments	(398)	0	0	(398)
<b>Closing balance 31 March</b>	<b>(562,250)</b>	<b>0</b>	<b>(2,687,081)</b>	<b>(3,259,331)</b>

<b>2020/21</b>	<b>LGPS £000</b>	<b>LGPS (PPL ele- ment) £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
<b>Opening balance at 1 April</b>	<b>(435,089)</b>	<b>(12,692)</b>	<b>(2,416,641)</b>	<b>(2,864,422)</b>
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)
<b>Closing balance 31 March</b>	<b>(531,264)</b>	<b>(15,343)</b>	<b>(2,674,391)</b>	<b>(3,220,998)</b>

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

Reconciliation of fair value of the scheme assets (LGPS)	2020/21 £000	PPL element 2020/21 £000	Total 2020/21 £000	2021/22 £000	PPL element 2021/22 £000	Total 2021/22 £000
<b>Opening balance at 1 April</b>	<b>255,597</b>	<b>12,692</b>	<b>268,289</b>	<b>318,809</b>	<b>15,343</b>	<b>334,152</b>
Interest income	6,215	306	6,521	7,122	0	7,122
Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense	52,616	2,258	54,874	13,832	0	13,832
Administration expenses	(204)	(5)	(209)	(210)	0	(210)
Contributions by employer	10,804	175	10,979	10,998	0	10,998
Contributions from employees into the scheme	3,375	75	3,450	3,480	0	3,480
Business Combinations (PPL - see note above)	0	0	0	15,343	(15,343)	0
Benefits paid	(9,594)	(158)	(9,752)	(6,702)	0	(6,702)
<b>Closing balance 31 March</b>	<b>318,809</b>	<b>15,343</b>	<b>334,152</b>	<b>362,672</b>	<b>0</b>	<b>362,672</b>

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

The liabilities show the underlying commitments that the Chief Constable and the Group has in the long run to pay post employment retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable and the Group remains healthy. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, (i.e. before payments fall due) as assessed by the scheme actuary. Finance is only required to be raised to cover police pensions when the pensions are actually paid.

The total contributions expected to be made to the LGPS by the Group in the year to 31 March 2022 is £12.1m. Expected contributions for the Police Pension Schemes by the Chief Constable in the year to 31 March 2022 are £27.4m.

**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 2021/22 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.

Notes to the Financial Statements

2021/22	LGPS £000	Police Pension Schemes £000	Total £000
Changes in financial assumptions	(11,161)	(59,155)	(70,316)
Changes in demographic assumptions	(4,245)	0	(4,245)
Re-measurement of assets	(13,622)	0	(13,622)
Experience gains and losses	1,424	5,760	7,184
<b>Total re-measurement</b>	<b>(27,604)</b>	<b>(53,395)</b>	<b>(80,999)</b>

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)
<b>Total re-measurement</b>	<b>23,136</b>	<b>(149)</b>	<b>205,468</b>	<b>228,455</b>

### LGPS Assets

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

	Total 31 March 2021 £000	Split of Assets between Investment categories %	Total 31 March 2022 £000	Split of Assets between Investment categories %
Equities	270,746	85	287,062	79
Government Bonds	0	0	5,875	2
Other Bonds	284	0	5,113	1
Property	14,931	5	20,194	6
Alternatives–UK Infrastructure etc	32,848	10	44,428	12
Cash-Liquidity	0	0	0	0
<b>Total Assets</b>	<b>318,809</b>	<b>100</b>	<b>362,672</b>	<b>100</b>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit actuarial method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The assets and liabilities of the LGPS which is administered by Worcestershire County Council (County Council Fund) have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2021, projected forward to 31 March 2022. The liabilities for the Police Pension Schemes have been assessed by the

Notes to the Financial Statements

Government Actuary's Department. The principal assumptions used by the actuaries have been:

2020/21			2021/22	
LGPS	Police Pension Schemes		LGPS	Police Pension Schemes
		Mortality assumptions		
		Longevity at 65 for current pensioners:		
22.7 years	22.0 years	Men	22.6 years	22.1 years
25.1 years	23.7 years	Women	25.0 years	23.8 years
		Longevity at 65 for future pensioners:		
24.4 years	23.7 years	Men	24.1 years	23.8 years
27.1 years	25.3 years	Women	27.0 years	25.4 years
2.7%	2.4%	Rate of CPI inflation	3.3%	3.0%
4.2%	4.2%	Rate of increase in salaries (long-term)	4.8%	4.75%
n/a	1.0%	Rate of increase in salaries (short-term)	n/a	n/a
2.8%	2.4%	Rate of increase in pensions	3.4%	3.0%
2.1%	2.0%	Rate for discounting scheme liabilities	2.8%	2.65%
-	3.65%	CARE Revaluation rate	3.3%	4.25%
50%	100%	Take-up of option to convert annual pension into retirement lump sum	50%	100%

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

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

The assumptions in longevity, for example, assume that life expectancy increases or decreases 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)	306,948	(306,948)
Rate of inflation (increase or decrease by 1%) – Police staff only	210,383	(210,383)
Rate of increase in salaries (increase or decrease by 1%)	246,979	(246,979)
Rate of increase in pensions (increase or decrease by 1%) – PPS only	470,000	(470,000)
Rate for discounting scheme liabilities (increase or decrease by 1%)	(321,022)	321,022

## 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.

2020/21			2021/22	
£000	£000		£000	£000
		<b>Contributions Receivable</b>		
		From employer		
(24,583)		- Normal at 31% of pensionable pay	(25,409)	
(884)		- Ill Health Capital Sum Income	(410)	
(10,604)		From members (serving police officers)	(10,926)	
	<b>(36,071)</b>			<b>(36,745)</b>
	<b>(705)</b>	<b>Individual Transfers In from other schemes</b>		<b>(450)</b>
		<b>Benefits Payable</b>		
56,218		Pensions	57,806	
11,185		Commutations and Lump Sum retirement benefits	16,695	
0		Lump sum death benefits	0	
	<b>67,403</b>			<b>74,501</b>
		<b>Payments to and on account of leavers</b>		
92		Refunds of contributions	79	
0		Individual transfers out to other schemes	0	
	<b>92</b>			<b>79</b>
	<b>30,719</b>	<b>Sub-total for the year before transfer from the Group of amount equal to the deficit</b>		<b>37,385</b>
	<b>(30,719)</b>	<b>Additional funding payable by the Group to meet deficit for the year</b>		<b>(37,385)</b>
	<b>0</b>	<b>Net Amount Payable / Receivable for the year</b>		<b>0</b>

## Notes to the Police Pension Fund Account

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

1. The Account collects the costs and income relating to retired police officers that are in receipt of pensions and income associated with serving police officers that are members of the Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) or the Police Pension Scheme 2015 (PPS). There are certain exceptions to this arrangement, such as pensions payable under the Police Injury Pension Regulations, which are charged directly to the Cost of Services in the CIES;
2. The Account is prepared on an accruals basis with the exception of accounting for lump sum transfer values to and from other pension schemes. Due to the unpredictable nature of transfer values they have been attributed to or transferred from the Account on a payment and receipts basis;
3. The annual cost of police pensions is met, in part, by contributions from the employer and serving police officers and other minor sources of income. Under the Police Pension Fund Regulations 2007, if the Account is in deficit an amount equal to the deficit is transferred from the Police Fund to meet the deficit; the cost to the Police Fund is subsequently reimbursed by the Home Office by way of the Pensions Top Up. Conversely, if the Account was to be in surplus, this would be transferred to the Police Fund and subsequently paid over to the Home Office;
4. The amounts due from the Home Office in respect of the shortfall on the Account is the responsibility of the Chief Constable and has therefore been included in the Chief Constable's (and the Group's) Balance Sheet;
5. This Account does not take account of long-term liabilities to pay future pension benefits after the year end, details of the Group's pension liability can be found in Note 20;
6. Employers' contributions, which are set by the Home Office subject to the Government Actuary's Department triennial valuation, are calculated at 31% of police officer pensionable pay from 1 April 2019;
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

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**Capital Expenditure** – Expenditure on new assets or on the enhancement of existing assets so as to prolong their life or enhance 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

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

**Creditors** – Individuals or organisations to which the Chief Constable owes money.

**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

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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.

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

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

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

**Investment Properties** – Property assets that are 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.

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

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

**Payments in Advance** – These represent payments made prior to 31 March for supplies and services received on or after 1 April.

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

**Pensions Expected Rate of Return on Assets** – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Revaluation Reserve** – The Reserve records the accumulated gains on the non-current assets held by the PCC arising from increases in value. It is charged with the part of the depreciation charge for the asset which relates to the revaluation. Any balance on this account is written back to the Capital Adjustment Account upon disposal of the asset.

**Revenue Expenditure and Income** – Day to day expenses mainly salaries, general running expenses and debt charges. These costs are met from the Council Tax, Government Grants, fees and charges.

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

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

Glossary of Terms

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

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

**(Strategic) Alliance** – The alliance formed by Warwickshire Police and West Mercia Police to use their combined resources to deliver all policing services to the people and communities of Herefordshire, Shropshire, Telford & Wrekin, Warwickshire and Worcestershire; the alliance ended on 31<sup>st</sup> 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 2021/22