Unsigned (31/5/22), for sharing with audit and JASC (missing information highlighted in yellow)

John Campion
Police and Crime Commissioner
West Mercia

Statement of Accounts DRAFT 2021/22

THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WEST MERCIA

STATEMENT OF ACCOUNTS 2021/22

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As I reflect on the last year, it's easy to forget just how much Covid continued to impact it. Only in February did we see an end to legal restrictions around the pandemic. However, as we have adapted to a life with the virus, I have been pleased to return to some of my normal duties as PCC. This includes getting out and meeting with the public, in person, so I can hear people's views and concerns. This part of my role is key. I cannot make the decisions I do without consulting with communities, and ensuring their voice is reflected in my considerations. Ultimately, resulting in a police force that communities can trust and have confidence in.

For the 2021/22 financial year I set a balanced budget, ensuring that West Mercia Police was living within its means, whilst delivering my priorities set out in my Safer West Mercia Plan. I approved a council tax increase of 6.66%, which, along with an uplift in funding from the Government settlement, has allowed for an additional £8m of resources. This was spent on frontline policing and improving the infrastructure to support those officers, which you have said is a priority. This investment included meeting the target of recruiting the additional 93 police officers which were promised by the Government. Over 400 additional police officers have been recruited to West Mercia since 2016. These additional officers allow resources to be targeted towards key areas of concern for communities. Increased investment has also been allocated to crime prevention initiatives and projects that support victims of crime, supporting the delivery of key elements of my Plan.

The overall financial position for the year was a net underspend of £7.717m against a total budget of £245.039m. This has provided an opportunity to direct the underspend to ensuring that we keep the organisation on a stable financial footing, ultimately by reducing borrowing. However, going forward I want to ensure that the investment decisions I make are being delivered and every penny is being utilised for the benefit of the public.

Over the last 12 months I have continued to hear loud and clear that visibility and accessibility of police officers is key, I understand that road safety remains a concern and the threat of violence against women and girls has become ever more prevalent following the murder of Sarah Everard. Whilst it's just a small part of a much bigger piece of work, I have been proud to work with partners to secure funding for a number of measures and improvements to public spaces. Alongside this project, I have secured an additional £3m for victim services and crime prevention initiatives. The area of prevention has long been a focus of mine, as we look to a world where crime can be tackled at the root cause to prevent harm being caused.

As we look to the coming year, and those after, I am committed to seeing improvements around the confidence in West Mercia Police, and the service the public receives. I want to see that the introduction of the Local Policing Community Charter delivers on its promise to make officers more visible and accessible to communities.

John Campion, West Mercia Police and Crime Commissioner

Section 1. Strategy

The primary function of the Police and Crime Commissioner (PCC) is to secure the maintenance of an efficient and effective police force and to hold the Chief Constable to account for the exercise of operational policing duties. The PCC 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 consultation 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 the priorities and commitments identified in the plan 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 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 preventing and 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 detail behind the policing priorities for West Mercia Police, in its ‘Plan on a Page’. 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 policing priorities are set and led by the Chief Officer team across West Mercia.

Diagram 2.

The continuing vision of West Mercia Police is to ‘Protect 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
Total	**4,317**	**2.80**	**49.77**	**50.23**

Section 2 – Governance

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

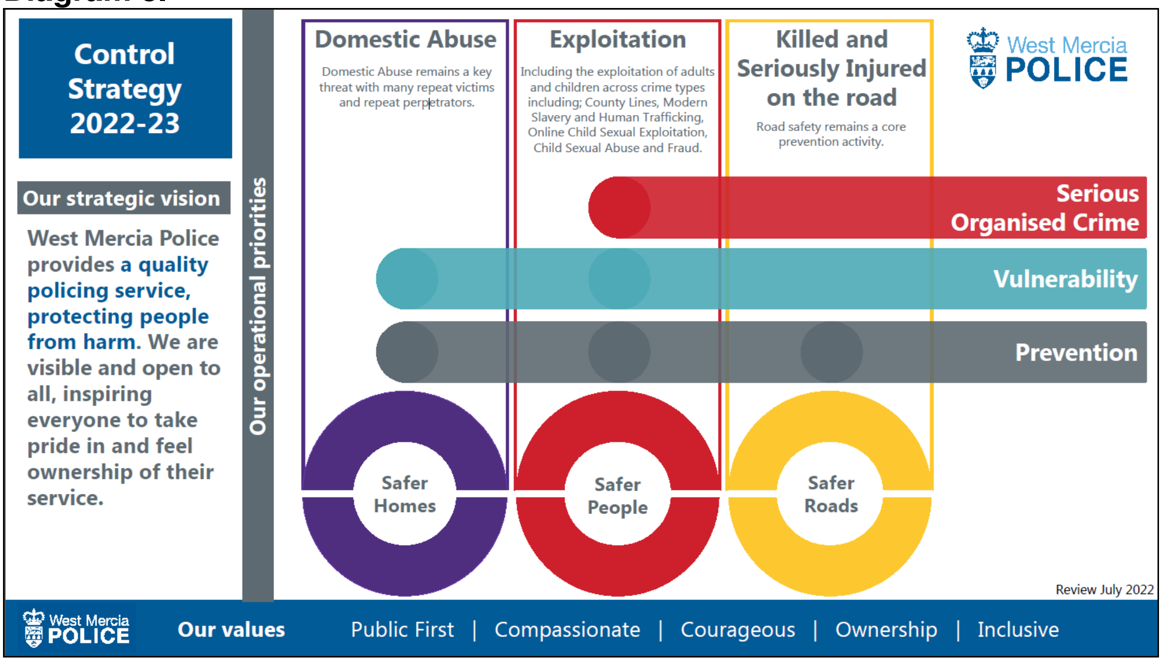
In discharging this overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of his office's affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. Separate PCC and force strategic risk registers are held and reviewed regularly to manage risk, with mitigations identified and taken where necessary. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes.

The Corporate Governance Framework sets out the parameters for decision making, including the delegations, consents, financial limits for specific matters and for contracts. The West 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 PCC is required to formally review the governance arrangements annually, the results of which are contained in the Annual Governance Statement (AGS). The PCC has a Joint AGS with the Chief Constable, which is published alongside the Accounts. It provides a detailed explanation of both the PCC's and Chief Constables governance framework and demonstrates how it is designed to help deliver the objectives set out in the Police and Crime Plan and manage risk.

The Police and Crime Panel (PCP), comprised of locally elected councillors and 2 independently appointed members, scrutinises the actions and decisions of the PCC, including the Police and Crime Plan, the budget and the precept. The panel meets formally in open session throughout the year, to undertake its role. Whilst establishing openness in the conduct of police business the intention is that the PCP supports the PCC in the effective exercise of his functions. Further details on the role, responsibility and powers of the PCP can be found on Worcestershire County Council's website.

Alongside providing strategic direction and oversight to the activities of the Force, the PCC hosts the Youth Justice Service (YJS) on behalf of the responsible authorities across the West Mercia. The cost of running the YJS (including the net pension's liability) are disclosed in the PCC's Financial Statements. Governance and decision making is made via a Management Board made up of representatives from the responsible authorities.

The PCC is supportive of greater collaboration across emergency services to deliver efficiencies and improved service delivery, in line with the principles outlined in the Policing and Crime Act 2017. On the 18th May 2022 the government launched its white paper on reforming Fire and Rescue Service, which includes proposed changes to the Governance of these organisation. The PCC will be reviewing the proposals and working with Fire and Rescue Authorities to identify what future role the PCC may have and how to enable closer collaboration between emergency services.

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. This took the total uplift since the PCC's election in 2016 to almost 400;

- 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;
- The PCC submitted successful bids for additional funds to central government to expand key services for support to victims of crime and to invest in prevention and intervention schemes to tackle perpetrators, as a result of this over £3m was secured.

Section 4 - Policing Performance

The PCC, in conjunction with the Force, 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.

In complying with regulations issued in 2021[1] the Police and Crime Commissioner is required to provide a statement on the contribution of West Mercia Police to achieving improvements against the national policing priorities. This statement is published on the PCC's website and subject to review in line with requirements set out in the regulations.

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

[1] The Elected Local Policing Bodies (Specified Information) (Amendment) Order 2021

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%
Total Recorded Crime	**87,063**	**72,695**	**87,117**	

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.

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.

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.

Section 5 - 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 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 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
Total Funding (excluding reserves)	245.039	244.943
Funding (from) / to Reserves	(0.423)	0.613
Total Funding (including reserves)	245.462	244.330

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)
Expenditure	**271.911**	**6.079**	**277.990**	**276.688**	**1.302**
Income	(27.073)	(5.455)	(32.528)	(36.575)	4.047
Net Expenditure	**244.838**	**0.624**	**245.462**	**240.113**	**5.349**
External Funding	(245.039)	0.000	(245.039)	(244.943)	(0.096)
Reserves utilised	0.201	(0.624)	(0.423)	0.613	(1.036)
Outturn	**0.000**	**0.000**	**0.000**	**(4.217)**	**4.217**

	Budget £m	Budget Adjustments £m	Revised Budget £m	Actual £m	Variance £m
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
Group Gross Outturn Expenditure	**244.838**	**0.624**	**245.462**	**240.113**	**5.349**
Funding & Reserves	(244.838)	(0.624)	(245.462)	(244.330)	(1.132)
Outturn	**0.0**	**0.0**	**0.0**	**(4.217)**	**4.217**

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 additional 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 resulting underspend of £4.217m has been transferred to reserves. Capital expenditure of £0.737m has been funded from reserves (as set out in Table 5 below) resulting in a net increases in reserves of £4.093m. The full movements on reserves are shown in Notes 1 and 8 to the Accounts and balances held in Table 6 below.

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, specifically providing resources to Police the COP26 event, 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 a low turnover.
- There was 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.

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 and 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 for 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.

Capital Outturn

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

Table 4 shows an analysis of capital expenditure incurred of £10,860m. There is a significant underspend of £16.255m from the revised budget of £27.115m.

Table 4. Capital Programme Outturn 2021/22

Programme Capital Expenditure for the year	Revised Approved Budget £m	Actual £m	Variance £m
Estates	8,503	2,737	5.766
ICT	2,012	0.996	1.013
Change & Transformation	13.183	5.963	7.220
Transport	1.905	0.771	1.134
Other eg plant and equipment	1.512	0.393	1.119
Total Expenditure	**27.115**	**10.860**	**16.255**

The main reasons for the underspend are as follows:

Estates

- £1.963m relating to the Firearms Range project that has been returned back to options appraisal / business case stage;
- £2.000m on the Northern Hub Estates project a potential land purchase was not required;
- £0.501m on Redditch Police Station as delivery timeline has been delayed with the project now started and included in 2022/23 programme.

Change and Transformation

- The main reason for the underspend has been a lack of resourcing available to deliver projects during 2021/22. The issues in the ability to recruit project managers has resulted in a budget saving of £0.800m;
- The proposal is that many projects that had been planned to be delivered will now be carried forward into 2022/23 programme. This includes:

  - £0.550m on Data & Integration;
  - £0.922m on Tech Modernisation;
  - £0.600m on the HR and Learning Management System project;
  - £0.585m in relation to Digital Forensics transformation;
  - £0.400m in relation to the rollout of Emergency Services Network being delayed.
- There was also an underspend of £0.700m in respect of the In Car Media project which was changed in scope and the project finished in the year.

ICT

- A large underspend of £1.016m has occurred on ICT Replacement projects of mobile phones and laptops for the Digital Services Transformation. The project will be delivered in 2022/23 particularly with the role out of the Office 365 pilot project.

Transport

- Issues with the global supply issues with new cars, means that deliver of ordered vehicles has been slow. Orders made in 2021/22 are taking 6 – 12 months to be fulfilled so costs will not be incurred until 2022/23.

Table 5. Funding of Capital Programme

Programme Capital Funding for the year	Revised Approved Budget £m	Actual £m	Variance £m
Capital Receipts	0.570	0.204	0.366
Capital Grants	0.500	0.392	0.108
Revenue Contribution to Capital Expenditure	0.000	3.653	(3.653)
External Funding	0.000	0.048	(0.048)
Contribution from reserves	0.517	0.737	(0.220)
Borrowing	25.528	5.826	19.702
Total Funding	**27.115**	**10.860**	**16.255**

Capital expenditure has been funded through a range of sources principally £5.826m funded through borrowing, which is the principal source of financing available to the PCC to fund the capital programme. Borrowing levels are governed by the prudential code which determines whether borrowing is affordable. The PCC has taken the opportunity to utilise £3.5m of the outturn resources available for an in-year Revenue Contribution to Capital to fund the capital programme. This has reduced the requirement to borrow and has saved ongoing revenue costs to service the debt interest and repayment. The remaining programme has been delivered using a combination of planned use of reserves, and small contributions from Capital Grants and Capital receipts which have been generated during the year.

Balance Sheet Position

Cash balances are invested in line with the Treasury Management Strategy, the priority being to protect our investments ahead of making a return. Due to the high level of internal borrowing

(£21.0m), as at 31 March 2022 the PCC had only £3.5m invested short-term and during 2021/22 achieved an average return of 0.076%.

The PCC's borrowing has reduced by £6.5m during the year. This reduction is because slippage on the capital programme and the underspend on the revenue budget resulted in a more favourable cashflow position during the year than expected. The temporary loan of £10m held as at 31 March 2021 was repaid in July 2021 and replaced by another temporary loan of only £5m in December 2021; no new long-term PWLB borrowing was required. Principal of £1.5m on PWLB loans was repaid when it matured during the year and was not replaced with new borrowing. It is expected that new PWLB loans will be required in 2022/23 to finance the capital programme.

West Mercia Reserves Position

The reserves held by the West Mercia PCC at the 31 March 2022 stand at £18.345m. Reserves are an important part of the PCC strategy to deliver the objectives set out in the Police and Crime Plan and the Medium Term Financial Plan (MTFP). Note 9 in the Accounts provides an analysis of the reserves at the 31 March 2022 and shows the movement since 31 March 2021.

During the year there was a net movement in reserves of £0.546m which were utilised to fund one off projects, the most significant spend was £0.910m invested in road safety, including the new average speed cameras in operation on the A449. There was also £0.384m spent on one off commissioning projects with partners to reduce waiting lists and provide diversionary activities for children at risk of falling into crime. As part of the 2022/23 budget setting an additional £0.992m was approved to be added to reserves, based on the projected outturn, with a further £3.717m approved after the year end when outturn was confirmed. This has resulted in reserve balances being replenished as at the 31/03/22.

Table 6 below shows how West Mercia PCC's reserves are planned to be used during the period up to 31 March 2023.

Table 6 - West Mercia Reserves

Reserve	Closing Balance 31/03/2022 £m	Approved Transfers 2022/23 £m	Current Available Balance 31/3/2023 £m
General reserve	7.500	0.000	7.500
Earmarked reserves			
Budget Equalisation reserve	2.028	(0.967)	1.061
Major Investigation reserve	2.594	(2.594)	0.000
Infrastructure reserve	1.398	(0.372)	1.026
Roads Safety reserve	0.675	0.000	0.675
YJS	0.377	0.000	0.377
Commissioning Reserves	1.996	(0.973)	1.023
Legal and insurance claims reserve	1.445	0.000	1.445
Council Tax Deficit Grant reserve	0.332	0.000	0.332
Total	18.345	(4.906)	13.439

The requirement for reserves has been based on known future costs and an assessment of risk of future budget pressures, particularly the Major Investigation reserve to fund the investigation into maternity deaths at Shropshire & Telford Hospital NHS Trust. Approval has been given to spend up to the available reserve if required. There has also been an assessment of risk facing West Mercia and reserves required to mitigate that risk, including a self insurance fund to offset claims made against West Mercia and a budget equalisation reserve which mitigates delays in achieving transformational change efficiency targets. Whilst there is currently proposals to utilise £4.906m of reserves, it is expected that further proposals will be made during the year to the PCC for his approval to spend on one-off projects.

The balance on General Reserves is now £7.500m. The assessment of the Treasurer is that this is adequate to meet the risks faced by West Mercia in the next 12 months and over the MTFP. The 2022/23 Budget and MTFP Report contains the Treasurer's annual review of the adequacy of reserves and a reserves strategy over the MTFP period. This has been updated by a 2021/22 Reserves Statement approved in May 2022. The reserves held will ensure that West Mercia has the resources available to support the PCC in achieving his objectives, whilst ensuring resilience to cope with unexpected financial burdens which may occur.

Pensions Liabilities

In accordance with International Accounting Standard (IAS) 19, the cost of employment and post-employment liabilities is shown in the Group's Accounts. The Group 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 £2,905.6m (PCC element of £9.0m). However, in considering the impact that this has on the financial position of the PCC it must be remembered that:

- Police Staff (including YJS employees) 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 both are now career average (CARE) schemes. 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 36, and information about the Police Pensions Fund Account can be found on page 105.

Section 6. 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. In 2021/22 West Mercia moved to a hosted service contract of the remaining provision of services to Warwickshire covering ICT, and Forensics, with services due to end by April 2023.

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 7 - The Medium Term Financial Plan

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

In setting the 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 has driven reform within West Mercia. He has prioritised the best use of the funds available to him and focused on implementing efficiency programmes and productivity gains Progress continues to be made during 2022/23, albeit in the shadow of the challenges presented by Covid19, to ensure West Mercia Police can deliver the best possible service and value to the public.

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. This budget continues the PCC's commitment of strong financial stewardship on behalf of the public of West Mercia ensuring every penny counts in 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.

Key to the PCCs vision includes

- The PCC's 2022/23 budget includes the provision to increase West Mercia's establishment by an additional 125 officers, which will take the establishment up to 2,456 police officers. This represents the highest number of officers the force has seen since 2009 and is very close to the highest level seen on record in West Mercia.
- Violence against women and girls has been highlighted nationally in a number of harrowing recent examples. Whilst it is clear that more work needs to be done in this area of crime, it is a societal issue and not down to one organisation or body to solve.
- With a focus on reducing harm on our roads this budget supports the ongoing commitment from the PCC, who added a further 19 roads policing officers in 2021/22, with further resources to directly tackle speeding in communities. Additional money for this work is provisionally allocated with final confirmation subject to business case from West Mercia Police and approval by the PCC.
- A fit for purpose police estate West Mercia's estates service has been successfully remodelled and moved back to an in-house provision within the Office of the PCC. This budget reflects that, with further significant capital investment in police estates, both in 2022/23 and beyond. Plans for a new joint Police & Fire station in Redditch are well developed with expectation that it will be open in April 2024. Plans are also in development around a new Northern Hub.
- Investing in Digital Police Services will continue following on from other multi-million pound investments by the PCC in recent years, in 2022/23 capital transformational ICT projects of £15.4m and revenue Digital Services programmes of £21.0m will be funded. This ensures continued delivery of the programme agreed and commenced in 2020/21 as part of the PCC's ongoing commitment to reform and modernising the service.

Section 8 - 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.

Section 9 - The Statement of Accounts

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

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

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

They comprise:

- The **Statement of Accounting Policies,** which sets out the accounting policies adopted by the Group and the PCC 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 PCC 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 Group and the PCC. A further analysis and explanation of the purpose for which these unusable reserves are held can be found at Note 9. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the CIES. This is different to the statutory amounts that can be charged against the police fund and taxation, whereas the net increase before transfers to earmarked reserves is the sum after adjustment for the entries required to comply with accounting standards, Note 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 Group and PCC. 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 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 PCC 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 Group and PCC Accounts should be read alongside the Chief Constable's Accounts, which can be found on the PCC's website

Statement of Accounting Policies for the Group and the PCC

i. General Principles

The Statement of Accounts summarises the Group's and the PCC'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 Group and the PCC when preparing and presenting the financial statements. The Group and the PCC are 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 Group and the PCC 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 Group'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 Group'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.

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:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- 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;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Manual accruals of revenue or expenditure are not made where the value of the item is less than £1,000.

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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

vi. Charges to Revenue for Non-Current Assets

Services 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.

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Group in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the Police Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two. Further information can be found in the Treasury Management Strategy available on the PCC's website.

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 Group. 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 PCC or 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:

- the liabilities of the pension fund attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of 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 36.

- the assets of the LGPS fund attributable to the Group are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

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

- **Current service cost** – the increase in liabilities as a result of years of service earned in the current year – allocated in the CIES to the services for which the employees worked.

- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the

Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.

- **Net interest on the net defined benefit liability** i.e. net interest expense for the Group – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the end of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- **Re-measurements comprising:**
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

  - 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 Group 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. 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 (pg 106).

It should be noted that the Group 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 Group 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. Fair Value Measurement

The Group measure some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as loans at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability; or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3 – unobservable inputs for the asset or liability.

ix. Financial Instruments

Financial Liabilities

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

For the straightforward borrowings that the Group has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

The Group has not entered into the repurchase or early settlement of borrowing.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost - these are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Group, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement;

- fair value through profit or loss (FVPL) – these are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The techniques for fair value measurements are set out in Accounting Policy viii. Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES; and

- fair value through other comprehensive income (FVOCI) – not applicable for the Group.

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Group when there is reasonable assurance that:

- the Group will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Group are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, the grant conditions must be adhered to and specific outputs, or future economic benefits or service potential delivered, otherwise the grant sum, must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Group.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and intended to be completed (with adequate resources being available) and the Group will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Group’s services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Group can be determined by reference to an active market. The depreciable amount of all intangible assets is amortised over their useful lives to the Cost of Services in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the Cost of Services in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Police Fund Balance. The gains and losses are therefore reversed out of the Police Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. 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. They are included on the Balance Sheet as part of Debtors and other current assets as the amount is immaterial.

xiii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length, that is, the significant observable inputs (Level 2 in the fair value hierarchy). Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Police Fund Balance. The gains and losses are therefore reversed out of the Police Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. 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 Group recognises on its Balance Sheet the assets (Property, ICT and Vehicles) that it controls or its share thereof. Joint assets give rise to benefits of the joint ventures. The Group also recognises the liabilities that it incurs. The CIES is debited and credited with the expenditure it incurs and the share of costs incurred or income earned through the joint operation.

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 14 to the Accounts 'Pooled Budgets and Joint Operations'.

xv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all of the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. The Group has reviewed its contracts register and has determined that it has no other finance leasing arrangements apart from the joint facility in Bromsgrove (Note 19(i) to the Accounts). All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Group as Lessee (Operating Lease)

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).

The Group as Lessor (Operating Lease)

Where the Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits 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 premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The Group as Lessor (Finance Lease)

Where the PCC grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (Property, Plant and Equipment) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the PCC's net investment in the lease, is credited to the same line in the CIES as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the capital receipts reserve in the MIRS. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts in the MIRS. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

xvi. Segmental Analysis

Income and Expenditure is reported in the CIES on the basis of the Group'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 Group monitors and manages its financial performance on the basis of three segments to reflect its distinct service areas. These three segments are: Policing Services, Police and Crime Commissioner and Youth Justice Service. The costs of overheads and support services are charged to each segment on the same basis as they are reported in the financial performance reports. That is, the costs fall in the segment that is responsible for the support service and that directly monitors and manages that service.

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

xvii. 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.

xviii.Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of assets acquired other than by purchase is deemed to be its current value; the Group has not acquired any asset via an exchange. The Group did not receive any donated during the year.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets Under Construction – historical cost;
- Operational property – Current value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV);
- Where non-property assets that have short useful lives and / or low values, historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Desktop reviews of certain properties not formally valued during the current year are carried out annually to ensure that this holds true as at the Balance Sheet date; following this review, management determined that the carrying amounts of Operational Assets were not materially different from their current value. Valuations are carried out by qualified valuers, employed in the Office of the Police and Crime Commissioner's Estates team, the most recent being carried out as at 31 January 2022. The valuers provided the PCC with assurance that there had been no material changes in the valuations between the valuation date and 31 March 2022. The basis of valuation used is set out below as recommended by CIPFA and in line with the Statements of Asset Valuation Practice and guidance notes of the Royal Institute of Chartered Surveyors (RICS). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to the Cost of Services.

Where decreases in value are identified, they are accounted for:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the Cost of Services in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The PCC is holding plots of land around the Hindlip site which are important to securing the ongoing operational use of the site by prohibiting access and controlling its use: for example the church and farm land. These are not operational as such but neither is it right to classify them as heritage assets or investment assets, even where a small amount of income is generated on the farm land, which is coincidental to its main purpose. The value of these plots of land is included in the Balance Sheet as part of the value of the Hindlip Land and Buildings.

Componentisation

Where a building is above the Group's materiality then it will be considered for componentisation.

The value of each component is considered in relation to the value of the asset. As a rule significant expenditure amounting to greater than 25% of the total cost will be considered for componentisation.

Expenditure on Improvements amounting to less than £250k will not be considered for componentisation.

Components of buildings and the life of each component are:

- Structure 60 years
- Mechanical and electrical 15 years
- Roof – pitch 60 years
- Roof – flat 20 years

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the Cost of Services in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the Cost of Services in the CIES, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. Exception is made for assets without a determinable finite useful life, i.e. freehold land and assets that are not yet available for use such as assets under construction.

Depreciation is calculated on the straight-line method over:

- buildings – straight line allocation over the useful life of the property as estimated by the valuer;
- plant, furniture and equipment (including ICT) – 5 years;
- vehicles – 3 to 7 years (3 years – high-mileage, response vehicles; 5 years – general use vehicles; 7 years - vans).

No depreciation is charged for the financial year in which an asset is acquired. A full year's depreciation charge is made for the year of asset disposal.

Where an asset has major components and the cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in current CIES. Gains in current value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Police Fund Balance in the MIRS.

De Minimis

The Group has agreed a de minimis level of £10,000 for the acquisition, renewal or replacement of buildings, plant and machinery or other equipment to count as prescribed capital expenditure.

xix. Provisions, Contingent Liabilities and Contingent Assets

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

A contingent liability or a contingent asset arises where an event has taken place that gives the Group 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 Group. 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 29 to the Accounts.

xx. Reserves

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Police Fund Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the Cost of Services in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the Police Fund Balance in the MIRS so that there is no net charge against Council Tax for the expenditure.

xxi. Revenue Expenditure Funded from Capital Under Statute

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 has been charged as expenditure to the relevant service in the CIES in the year. Where the PCC has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MIRS from the General Fund Balance to the CAA then reverses out the amounts charged so that there is no impact on the level of council tax. Notes 21 and 23 explain the REFCUS incurred by the PCC during the year.

xxii. 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.

xxiii. Council Tax

The council tax income included in the comprehensive income and expenditure statement (CIES) is the Group's share of accrued income for the year. However, regulations determine the amount of council tax that must be included in the Groups general fund. Therefore, the difference between the income included in the CIES and the amount required be regulation to be credited to the general fund is taken to the collection fund adjustment account and included as a reconciling item in the movement in reserves statement.

The group recognises its share of the council tax debtor and creditor balances and impairment allowances in its balance sheet. The Group also recognises:

- A creditor in its balance sheet for cash received from the billing authority in advance of the Police and Crime Commissioner receiving the cash from the Council tax debtor, or;
- A debtor in its balance sheet for its attributable share of net cash collected from council tax debtors by the billing authority but not paid over to it at the balance sheet date.

Statement of Responsibilities

Responsibilities of the Police and Crime Commissioner for West Mercia (the PCC)

The PCC is required to:

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

I accept the above responsibilities and approve these Statement of Accounts for 2021/22.

John Campion
Police and Crime Commissioner for West Mercia **Date:**

Responsibilities of the Treasurer to the Commissioner

The Treasurer to the Commissioner is responsible for the preparation of the Statement of Accounts for the Police and Crime Commissioner for West Mercia and Group 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 Treasurer to the Commissioner has:

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

The Treasurer 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 Police and Crime Commissioner for West Mercia and Group were issued on xx June 2022 by authority of the Treasurer to the Commissioner.

I certify that the Statement of Accounts represents a true and fair view of the financial position of the PCC and the Group at the accounting date and of the income and expenditure for the year ended 31 March 2022.

Paul Benfield
Treasurer to the Police and Crime Commissioner for West Mercia
Date: xx June 2022

Independent auditor's report to the Police and Crime Commissioner for West Mercia

Report on the Audit of the Financial Statements

****TO BE ADDED FOLLOWING COMPLETION OF AUDIT****

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Comprehensive Income and Expenditure Statement (CIES) for the Group

This Statement shows the consolidated Group accounting cost and funding in the year of providing services presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Group raises taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown both the Expenditure and Funding Analysis and in the MIRS.

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
286,510	(26,614)	259,896	Policing Services	1	299,728	(28,559)	271,169
18,490	(3,282)	15,208	Police and Crime Commissioner	1	20,143	(4,949)	15,194
2,732	(2,697)	35	Youth Justice Service	1	2,751	(2,809)	(58)
307,732	**(32,593)**	**275,139**	**Net Cost of Policing Services**	**1**	**322,622**	**(36,317)**	**286,305**
		1,688	Other operating expenditure – Loss on disposal of non-current assets (*Note 25*)				(37)
		59,177	Financing and investment net expenditure *(Note 11)*				58,578
		(263,217)	Taxation and non-specific grant income *(Note 12)*				(286,239)
		72,787	**Deficit on Provision of Services**				**58,607**
		452	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets *(Note 9 (i))*				(639)
		229,177	Re-measurement of the net defined benefit liability *(Note 36)*				(56,645)
		229,629	**Other Comprehensive (Income) & Expenditure**				**(57,284)**
		302,416	**Total Comprehensive (Income) & Expenditure**				**1,323**

Comprehensive Income and Expenditure Statement (CIES) for the PCC

This Statement shows the accounting cost and funding in the year of providing services presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the MIRS. 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
8,096	(35,066)	(26,970)	Policing Services		6,769	(36,573)	(29,804)
18,490	(3,282)	15,208	Police and Crime Commissioner		20,143	(4,949)	15,194
2,732	(2,697)	35	Youth Justice Service		2,751	(2,809)	(58)
29,318	**(41,045)**	**(11,727)**	**Cost of Policing Services**	**1**	**29,663**	**(44,331)**	**(14,668)**
251,131	0	251,131	Funding to the Chief Constable for financial resources consumed	10	255,970	0	255,970
280,449	**(41,045)**	**239,404**	**Net Cost of Policing Services**		**285,633**	**(44,331)**	**241,302**
		1,688	Other operating expenditure – Loss on disposal of non-current assets *(Note 25)*				(37)
		687	Financing and investment net expenditure *(Note 11)*				793
		(232,498)	Taxation and non-specific grant income *(Note 12)*				(248,854)
		9,281	**(Surplus) or Deficit on Provision of Services**				**(6,796)**
		452	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets *(Note 9 (i))*				(639)
		722	Re-measurement of the net defined benefit liability *(Note 36)*				(1,039)
		1,174	**Other Comprehensive (Income) & Expenditure**				**(1,678)**
		10,455	**Total Comprehensive (Income) & Expenditure**				**(8,474)**

Movement in Reserves Statement (MIRS) for the Group

This statement shows the movement in the year on the different reserves held by the Group, 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 Group.

	Notes	Total Police Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2020		**14,990**	**0**	**0**	**14,990**	**(2,570,730)**	**(2,555,740)**
Movement in reserves during 2020/21							
Total Comprehensive Income and Expenditure	1	**(72,787)**	**0**	**0**	**(72,787)**	**(229,629)**	**(302,416)**
Adjustments between accounting basis and funding basis under regulations	7	72,049	0	0	72,049	(72,049)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves		**(738)**	**0**	**0**	**(738)**	**(301,678)**	**(302,416)**
Transfers to/from Earmarked Reserves	8	0	0	0	0	0	0
Increase/(Decrease) in Year		**(738)**	**0**	**0**	**(738)**	**(301,678)**	**(302,416)**
Balance at 31 March 2021 Carried Forward		**14,252**	**0**	**0**	**14,252**	**(2,872,408)**	**(2,858,156)**
Movement in reserves during 2021/22							
Total Comprehensive Income and Expenditure	1	**(58,607)**	**0**	**0**	**(58,607)**	**57,284**	**(1,323)**
Adjustments between accounting basis and funding basis under regulations	7	62,700	0	0	62,700	(62,700)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves		**4,093**	**0**	**0**	**4,093**	**(5,416)**	**(1,323)**
Transfers to/from Earmarked Reserves	8	0	0	0	0	0	0
Increase/(Decrease) in Year		**4,093**	**0**	**0**	**4,093**	**(5,416)**	**(1,323)**
Balance at 31 March 2022 Carried Forward		**18,345**	**0**	**0**	**18,345**	**(2,877,824)**	**(2,859,479)**

Movement in Reserves Statement (MIRS) for the PCC

This statement shows the movement in the year on the different reserves held by the PCC, 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 PCC'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 PCC.

	Notes	Total Police Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2020		**14,990**	**0**	**0**	**14,990**	**29,944**	**44,934**
Movement in reserves during 2020/21							
Total Comprehensive Income and Expenditure	1	**(9,281)**	**0**	**0**	**(9,281)**	**(1,174)**	**(10,455)**
Adjustments between accounting basis and funding basis under regulations	7	8,543	0	0	0	(8,543)	0
Net Increase before transfers to Earmarked Reserves		**(738)**	**0**	**0**	**(738)**	**(9,717)**	**(10,455)**
Transfers to/from Earmarked Reserves	8	0	0	0	0	0	0
Increase/(Decrease) in Year		**(738)**	**0**	**0**	**(738)**	**(9,717)**	**(10,455)**
Balance at 31 March 2021 Carried Forward		**14,252**	**0**	**0**	**14,252**	**20,227**	**34,479**
Movement in reserves during 2021/22							
Total Comprehensive Income and Expenditure	1	**6,796**	**0**	**0**	**6,796**	**1,678**	**8,474**
Adjustments between accounting basis and funding basis under regulations	7	(2,703)	0	0	(2,703)	2,703	0
Net Increase before transfers to Earmarked Reserves		**4,093**	**0**	**0**	**4,093**	**4,381**	**8,474**
Transfers to/from Earmarked Reserves	8	0	0	0	0	0	0
Increase/(Decrease) in Year		**4,093**	**0**	**0**	**4,093**	**4,381**	**8,474**
Balance at 31 March 2022 Carried Forward		**18,345**	**0**	**0**	**18,345**	**24,608**	**42,953**

Balance Sheets for the Group and the PCC

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group and the PCC. The net assets of the Group and the PCC (assets less liabilities) are matched by the reserves held by the Group and the PCC. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group and the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group and the PCC are not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS in the line 'Adjustments between accounting basis and funding basis under regulations'.

The PCC as at 31 March 2021	The Group as at 31 March 2021		Notes	The PCC as at 31 March 2022	The Group as at 31 March 2022
£000	£000			£000	£000
77,057	77,057	Property, Plant & Equipment	21	82,500	82,500
345	345	Investment Property	22	277	277
6,896	6,896	Intangible Assets	23	6,162	6,162
3,522	3,522	Long Term Debtors	24	3,376	3,376
87,820	**87,820**	**Long Term Assets**		**92,315**	**92,315**
0	0	Assets Held for Sale	25	0	0
12,411	19,655	Short Term Debtors and other current assets	26	13,949	23,732
9,871	9,871	Cash and Cash Equivalents	27	3,485	3,485
0	0	Intra-Group Debtor	10	0	0
22,282	**29,526**	**Current Assets**		**17,434**	**27,217**
(11,637)	(11,637)	Short Term Borrowing	30	(6,629)	(6,629)
(16,994)	(31,977)	Short Term Creditors	28	(16,323)	(32,919)
0	(361)	Provisions	29	0	0
(2,312)	0	Intra-Group Creditor	10	(1,040)	0
(30,943)	**(43,975)**	**Current Liabilities**		**(23,992)**	**(39,548)**
(34,141)	(34,141)	Long Term Borrowing	30	(32,614)	(32,614)
(9,144)	(2,895,991)	Liability Relating to Defined Benefit Pension Schemes	36	(8,959)	(2,905,618)
(1,371)	(1,371)	Revenue Grants Receipts in Advance	13	(1,211)	(1,211)
(24)	(24)	Capital Grants Receipts in Advance	13	(20)	(20)
(44,680)	**(2,931,527)**	**Long Term Liabilities**		**(42,804)**	**(2,939,463)**
34,479	**(2,858,156)**	**Net Assets / (Liabilities)**		**42,953**	**(2,859,479)**
14,252	14,252	Usable Reserves	8	18,345	18,345
20,227	(2,872,408)	Unusable Reserves	9	24,608	(2,877,824)
34,479	**(2,858,156)**	**Total Reserves**		**42,953**	**(2,859,479)**

The unaudited Statement of Accounts were issued on xx June 2022.

Treasurer to the Police and Crime Commissioner for West Mercia.

Cash Flow Statements for the Group and the PCC

This statement shows the changes in cash and cash equivalents of the Group and the PCC during the reporting period. The statement shows how the PCC 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 PCC are funded by way of taxation and grant income or from the recipients of services provided by the PCC and Chief Constable. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the PCC.

The PCC 2020/21	The Group 2020/21		Notes	The PCC 2021/22	The Group 2021/22
£000	£000			£000	£000
9,281	**72,787**	**Net (surplus) or deficit on the provision of services**	**1**	**(6,796)**	**58,607**
(7,883)	(71,389)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33	(2,556)	(67,959)
1,390	1,390	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33	498	498
2,788	**2,788**	**Net cash flows from Operating Activities**		**(8,854)**	**(8,854)**
11,911	11,911	Investing Activities	34	8,705	8,705
(15,727)	(15,727)	Financing Activities	35	6,535	6,535
(1,028)	**(1,028)**	**Net increase or decrease in cash and cash equivalents**		**6,386**	**6,386**
(8,843)	**(8,843)**	Cash and cash equivalents at the beginning of the reporting period	27	**(9,871)**	**(9,871)**
(9,871)	**(9,871)**	**Cash and cash equivalents at the end of the reporting period**		**(3,485)**	**(3,485)**

Notes to the Financial Statements

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

1. Expenditure and Funding Analysis (EFA)

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

The Group

	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	227,901	43,268	271,169
Police and Crime Commissioner	14,530	664	15,194
Youth Justice Service	(58)	0	(58)
Net Cost of Policing Services	**242,373**	**43,932**	**286,305**
Other income and expenditure	(246,466)	18,768	(227,698)
(Surplus) or deficit on provision of Services	**(4,093)**	**62,700**	**58,607**

Opening Police Fund at 31 March 2020	(14,252)
Less Deficit on Police Fund in Year	(4,093)
Closing Police Fund at 31 March 2021	**(18,345)**

	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	219,127	40,769	259,896
Police and Crime Commissioner	14,930	278	15,208
Youth Justice Service	35	0	35
Net Cost of Policing Services	**234,092**	**41,047**	**275,139**
Other income and expenditure	(233,354)	31,002	(202,352)
(Surplus) or deficit on provision of Services	**738**	**72,049**	**72,787**

Opening Police Fund at 31 March 2020	(14,990)
Less Deficit on Police Fund in Year	738
Closing Police Fund at 31 March 2021	**(14,252)**

The PCC

	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	(27,294)	(2,510)	(29,804)
Police and Crime Commissioner	14,530	664	15,194
Youth Justice Service	(58)	0	(58)
Net Cost of Policing Services	**(12,822)**	**(1,846)**	**(14,668)**
Funding to the Chief Constable for financial resources consumed	255,195	775	255,970
Other income and expenditure	(246,466)	(1,632)	(248,098)
(Surplus) or deficit on provision of Services	**(4,093)**	**(2,703)**	**(6,796)**

Opening Police Fund at 31 March 2021	(14,252)
Less Deficit on Police Fund in Year	(4,093)
Closing Police Fund at 31 March 2022	**(18,345)**

	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	(26,002)	(968)	(26,970)
Police and Crime Commissioner	14,930	278	15,208
Youth Justice Service	35	0	35
Net Cost of Policing Services	**(11,037)**	**(690)**	**(11,727)**
Funding to the Chief Constable for financial resources consumed	245,129	6,002	251,131
Other income and expenditure	(233,354)	3,231	(230,123)
(Surplus) or deficit on provision of Services	**738**	**8,543**	**9,281**

Opening Police Fund at 31 March 2020	(14,990)
Less Deficit on Police Fund in Year	738
Closing Police Fund at 31 March 2021	**(14,252)**

1(a) Note to the EFA

Adjustments between Funding and Accounting Basis

The Group

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	(1,200)	45,018	(535)	(15)	43,268
Police and Crime Commissioner	0	664	0	0	664
Youth Justice Service	0	0	0	0	0
Net Cost of Services	(1,200)	45,682	(535)	(15)	43,932
Other income and expenditure from the Funding Analysis	(408)	20,590	535	(1,949)	18,768
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**(1,608)**	**66,272**	**0**	**(1,964)**	**62,700**

2020/21					
Adjustments from Police Fund to arrive at the CIES amounts	**Adjustments for Capital Purposes (note i)**	**Net Change for the Pensions Adjustments (note ii)**	**Financing and Investment Adjustments (note iii)**	**Other Adjustments (note iv)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**	**£000**
Policing Services	5,520	34,487	(486)	1,248	40,769
Police and Crime Commissioner	0	278	0	0	278
Youth Justice Service	0	0	0	0	0
Net Cost of Services	5,520	34,765	(486)	1,248	41,047
Other income and expenditure from the Funding Analysis	685	27,947	486	1,884	31,002
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**6,205**	**62,712**	**0**	**3,132**	**72,049**

The PCC

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	(1,245)	0	257	(1,522)	(2,510)
Police and Crime Commissioner	0	664	0	0	664
Youth Justice Service	0	0	0	0	0
Net Cost of Services	(1,245)	664	257	(1,522)	(1,846)
Funding to the Chief Constable	45	0	(792)	1,522	775
Other income and expenditure from the Funding Analysis	(408)	190	535	(1,949)	(1,632)
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**(1,608)**	**854**	**0**	**(1,949)**	**(2,703)**

2020/21					
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	(356)	0	241	(853)	(968)
Police and Crime Commissioner	0	278	0	0	278
Youth Justice Service	0	0	0	0	0
Net Cost of Services	(356)	278	241	(853)	(690)
Funding to the Chief Constable	5,876	0	(727)	853	6,002
Other income and expenditure from the Funding Analysis	685	176	486	1,884	3,231
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**6,205**	**454**	**0**	**1,884**	**8,543**

Note (i) Adjustments for Capital Purposes

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

Other income and expenditure is adjusted for capital disposals of assets with a transfer of the income on disposal and the amounts written off for those assets; an adjustment is also made to recognise capital grant income.

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:

- 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 investment income and 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 variations in the amount chargeable for Council Tax under Statute and the Code; and 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

The Group

2020/21 £000		2021/22 £000
125,024	Police officers pay	128,821
73,812	Police staff pay	77,130
3,588	Police pensions	3,202
2,748	Other Employee Expenses	3,464
72,429	Pensions current cost of service	84,820
(38,774)	Cost of pensions based on cash flows	(39,953)
1,248	Accumulated absences	(16)
58,451	Other service expenditure	57,570
1,110	Non distributed costs	816
8,096	Depreciation, Amortisation, Revaluation Loss and REFCUS (see glossary)	6,768
727	Interest payable	792
58,666	Net interest on the net defined benefit liability	57,975
1,688	Loss on disposal of non-current assets	(37)
368,813	**Total Expenditure**	**381,352**
(17,148)	Fees, charges and other service income	(17,243)
(17)	Investment property income, net of revaluation movement	15
(25)	Interest and investment income	(34)
(174)	Finance Lease income	(170)
(100,420)	Income from council tax	(108,786)
(178,242)	Government grants and contributions	(196,527)
(296,026)	**Total Income**	**(322,745)**
72,787	**Deficit on the Provision of services**	**58,607**

The PCC

2020/21 £000		2021/22 £000
3,520	Police staff pay	5,057
84	Other Employee Expenses	135
804	Pensions current cost of service	1,421
(526)	Cost of pensions based on cash flows	(772)
17,340	Other service expenditure	17,038
0	Non distributed costs	15
727	Interest payable	792
176	Net interest on the net defined benefit liability	190
1,688	Loss on disposal of non-current assets	(37)
0	Capital Charge between PCC and Chief Constable - net	0
251,131	Funding to the Chief Constable for financial resources consumed	255,970
274,944	**Total Expenditure**	**279,809**
(17,148)	Fees, charges and other service income	(17,243)
(17)	Investment property income, net of revaluation movement	15
(25)	Interest and investment income	(34)
(174)	Finance Lease Income	(170)
(100,420)	Income from council tax	(108,786)
(356)	Capital Charge between PCC and Chief Constable - net	(1,245)
(147,523)	Government grants and contributions	(159,142)
(265,663)	**Total Income**	**(286,605)**
9,281	**Deficit on the Provision of services**	**(6,796)**

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

The Code requires the Group 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:

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

PCC and Chief Constable group relationship

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

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

- Revenue expenditure directly relating to those budgets delegated to the CC for the provision of policing services is predominantly included within their Accounts;
- The CC's accounts have been charged with the expense associated with IAS19 pensions and accumulated staff absences as well as the current value of non-current assets consumed during the year and the CC's Balance Sheet contains the net liabilities associated with these items offset by unusable reserves as required by the Code of Practice;
- An intra-group transfer has been made between the CC's and the PCC's CIES offsetting the above expenses;
- Within the Group accounts, where material, a distinction is made between the transactions and balances of the Group and the PCC;
- The Chief Constable's Balance Sheet contains employment-related debtors, creditors and provisions together with all material 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 14 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 PCC and 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 three segments: Policing Services, Police and Crime Commissioner and Youth Justice 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 £11.116m compared to 2020/21, mainly due to fluctuations between years relating to the valuations of property assets and 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 PCC 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 Group's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

The basis of estimating the value of assets is referred to in the previous section. Assets are depreciated over their Useful Economic Lives (UEL), which is determined by external valuers, based on judgements, which include assumptions about the level of repairs and maintenance that will be incurred on individual assets. These estimates are important for example, if the UEL is reduced, depreciation charged to the CIES would increase and the carrying value of the asset would fall. It is estimated that the annual depreciation charge for buildings would increase by £0.030m for every year that useful lives were reduced.

The external valuers again commented as follows in their 2021/22 valuation report:

"The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards."

The Net Book Value of Property, Plant and Equipment as at 31 March 2022 is £82.5m (£77.1m as at 31 March 2021). West Mercia valued £42.9m of property in 21/22, should this value increase or decrease by 1% it would have an impact of +/- £429k. New capital spend has been partly offset by reductions in asset valuations and depreciation.

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 PCC and Chief Constable understand the potential impact of changes in mortality rates, retirement ages and expected returns on fund assets etc. The actuaries provide the Group with advice and illustrations of the potential impact of the changes in assumptions and these are set out at the end of Note 36.

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 Group and Chief Constable held no provisions as at 31 March 2022.

Further information regarding Provisions can be found in Note 29.

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 £56.6m, compared to a loss of £229.2m 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 £9.6m to £2,905.6m at 31 March 2022. Further information regarding the Pensions Liabilities can be found in Note 36.

6. Events after the Reporting Period

The unaudited Statement of Accounts were issued by the Treasurer to the PCC on xx June 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 Group in the year in accordance with proper accounting practice to resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

	Usable Reserves		
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
2021/22	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to or from Pensions Reserve)	(66,272)	0	0
Council tax (transfers to or from Collection Fund)	1,949	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	15	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items charged to the CAA)	(6,858)	0	0
Total Adjustments to Revenue Resources	(71,166)	0	0
Adjustments between Revenue and Capital Resources			

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	59	(59)	0
Statutory provision for the repayment of debt (transfer from the CAA)	3,578	0	0
Capital expenditure financed from revenue balances (transfer to the CAA)	4,390	0	0
Total Adjustments between Revenue and Capital Resources	8,027	(59)	0
Adjustments to Capital Resources			
Application of capital receipts to finance capital expenditure	0	204	0
Application of capital grants to finance capital expenditure	439	0	0
Cash payments in relation to deferred capital receipts	0	(145)	0
Total Adjustments to Capital Resources	439	59	0
Total Adjustments - Group	**(62,700)**	**0**	**0**
Less: Chief Constable only adjustments			
Pensions Costs	65,418	0	0
Holiday pay	(15)	0	0
Total Adjustments – PCC	**2,703**	**0**	**0**

2020/21	Usable Reserves		
	Police Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**
	£000	**£000**	**£000**
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to or from Pensions Reserve)	(62,712)	0	0
Council tax (transfers to or from Collection Fund)	(1,884)	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(1,248)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items charged to the CAA)	(10,171)	0	0
Total Adjustments to Revenue Resources	(76,015)	0	0
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	361	(361)	0
Statutory provision for the repayment of debt (transfer from the CAA)	2,335	0	0
Capital expenditure financed from revenue balances (transfer to the CAA)	241	0	0
Total Adjustments between Revenue and Capital Resources	2,937	(361)	0
Adjustments to Capital Resources			
Application of capital receipts to finance capital expenditure	0	505	0
Application of capital grants to finance capital expenditure	1,029	0	0
Cash payments in relation to deferred capital receipts	0	(144)	0
Total Adjustments to Capital Resources	1,029	361	0
Total Adjustments - Group	**(72,049)**	**0**	**0**

Less: Chief Constable only adjustments			
Pensions Costs	62,258	0	0
Holiday pay	1,248	0	0
Total Adjustments - PCC	**(8,543)**	**0**	**0**

8. Usable Reserves

The PCC holds all of the Group's reserves. This note sets out the amounts set aside from the Police Fund Balances into earmarked reserves to provide financing for future expenditure plans and the amounts used from earmarked reserves to meet Police Fund expenditure in 2021/22.

PCC and Group Reserves	Balance at 1 April 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31 March 2021 £000	Transfers out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000
Police Fund Reserve	**(9,587)**	2,236	0	**(7,351)**	352	(501)	**(7,500)**
Earmarked Reserves							
Budget Equalisation Reserve	**0**	0	0	**0**	0	(2,028)	**(2,028)**
Major Investigation	**0**	599	(2,450)	**(1,851)**	0	(743)	**(2,594)**
Investment in Infrastructure	**(1,083)**	1,203	(890)	**(770)**	750	(1,378)	**(1,398)**
Road Safety	**(1,775)**	571	(17)	**(1,221)**	910	(364)	**(675)**
YJS	**(353)**	34	0	**(319)**	0	(58)	**(377)**
PCC Initiatives	**(1,535)**	352	(225)	**(1,408)**	385	(973)	**(1,996)**
Legal & Insurance claims	**(657)**	214	(557)	**(1,000)**	357	(802)	**(1,445)**
Council Tax Collection Fund	**0**	0	(332)	**(332)**	0	0	**(332)**
Total Earmarked Reserves	**(14,990)**	**5,209**	**(4,471)**	**(14,252)**	**2,754**	**(6,847)**	**(18,345)**
Capital Receipts Reserve	**0**	505	(505)	**0**	204	(204)	**0**
Capital Grants Reserve	**0**	0	0	**0**	0	0	**0**
Total Usable Reserves	**(14,990)**	**5,714**	**(4,976)**	**(14,252)**	**2,958**	**(7,051)**	**(18,345)**

Capital receipts and capital grants have been used to fund capital expenditure in 2021/22. Capital receipts received and used are shown above for transparency purpose although they are not shown in the MIRS as they were fully used in the year they were received (see also Note 20).

The purposes of the Earmarked Reserves are as follows:

- **General Reserve** has been created to meet unexpected, unusual and one-off events;

- **Budget Equalisation Reserve** has been created to manage risk around the timescales for delivery of the transformation and change programme and to provide flexibility in establishing strategies to manage future expected cost pressures from the level of future core grant funding;
- **Investment in Infrastructure Reserve** is held to support delivery of the Capital Programme and specific Estates projects;
- **Major Investigation** has been created to support the Force's work on a specific operation;
- **PCC Initiatives Reserve** is held to support the delivery of certain PCC initiatives;
- **Legal & Insurance claims** is held to address specific risks identified;
- **Road Safety Reserve** is the reserves held by the Safer Roads Partnership to be invested into road safety;
- **YJS** is the balance of the income and expenditure relating to the Youth Justice Service.
- **Council Tax Collection Fund Reserve** holds the Council Tax Reduction Grant (Local Tax Income Guarantee Scheme) payable to Forces to smooth the impact of a reduction in Council Tax collection rates during 2020/21 due to Covid-19; this was not required to be used in 2021/22 as the distribution from the Collection Fund surplus was more than expected. There is still a significant amount of uncertainty relating to the impact of the spreading of the council tax deficit over 3 years and the future collection fund settlement: the Reserve will be carried forward to offset this risk.

9. Unusable reserves

The Pensions Reserve and Accumulated Absences Reserves 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 unusable reserves can be summarised as follows:

PCC 31 March 2021 £000	Group 31 March 2021 £000		PCC 31 March 2022 £000	Group 31 March 2022 £000
(9,437)	(9,437)	Revaluation Reserve	(9,956)	(9,956)
(16,996)	(16,996)	Capital Adjustment Account	(18,869)	(18,869)
(3,450)	(3,450)	Deferred Capital Receipts Reserve	(3,305)	(3,305)
512	512	Collection Fund Adjustment Account	(1,437)	(1,437)
9,144	2,895,991	Pension Reserve	8,959	2,905,618
0	5,788	Accumulated Absences Account	0	5,773
(20,227)	**2,872,408**	**Total Group Unusable Reserves**	**(24,608)**	**2,877,824**

(i) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Group arising from increases in the value of its PPE and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

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

2020/21			2021/22	
£000	£000		£000	£000
	(10,094)	**Group and PCC Balance as at 1 April**		(9,437)
(1,385)		Upward revaluation of assets	(2,276)	
1,837		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	1,637	
	452	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services** (Other Comprehensive Income and Expenditure)		(639)
91		Difference between fair value depreciation and historical cost depreciation	120	
114		Accumulated gains on assets sold or scrapped	0	
	205	Amount written off to the Capital Adjustment Account		120
	(9,437)	**Group and PCC Balance as at 31 March**		(9,956)

(ii) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert current value figures to an historical cost basis). The Account is credited with the amounts set aside by the PCC as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2020/21			2021/22	
£000	£000			
	(22,852)	**Group and PCC Balance as at 1 April**		(16,996)
		Reversal of items relating to capital expenditure debited or credited to the CIES:		
7,137		Charges for depreciation and impairment of non-current assets	6,734	
(356)		Revaluation losses (gains) on PPE	(1,260)	
1,224		Amortisation of intangible assets	1,160	
1,936		Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	22	
0		Revenue expenditure funded from capital under statute	14	
0		Donated Assets	0	
	9,941	**Net written out amount of the cost of non-current assets consumed in the year**		6,670

		Capital financing applied in the year:		
(505)		Use of the Capital Receipts Reserve to finance new capital expenditure	(204)	
(1,029)		Capital grants and contributions credited to the CIES that have been applied to capital financing	(439)	
0		Application of grants to capital financing from the Capital Grants Unapplied Account	0	
(2,335)		Statutory provision for the financing of capital investment charged against the General Fund	(3,578)	
(83)		Capital expenditure funded from Reserves	(737)	
(158)		Capital expenditure charged against the General Fund	(3,653)	
	(4,110)			**(8,611)**
	25	Movements in the market value of Investment Properties debited or credited to the CIES		68
	(16,996)	**Group and PCC Balance as at 31 March**		**(18,869)**

(iii) Pensions Reserve

Payments for the cost of post employment benefits and the associated liability are shown in the Chief Constable's Accounts, except for the element that relates specifically to the PCC's employees. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Group Accounts for post employment benefits in the 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 Group makes employers contributions to pension funds or eventually pays any pensions for which he is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Group 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 Group can continue to meet the liability in the Chief Constable's Accounts. The liability is made up as follows:

PCC 2020/21 £000	**Group 2020/21 £000**		**PCC 2021/22 £000**	**Group 2021/22 £000**
7,968	**2,604,102**	**Balance as at 1 April**	**9,144**	**2,895,991**
722	229,177	Re-measurement of the net defined benefit liability (Other Comprehensive Income and Expenditure)	(1,039)	(56,645)
980	132,205	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	1,626	143,611
(526)	(69,493)	Employer's pensions contributions and direct payments to pensioners payable in the year	(772)	(77,339)
9,144	**2,895,991**	**Balance as at 31 March**	**8,959**	**2,905,618**

(iv) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the Police Fund from the Collection Fund.

2020/21 £000		2021/22 £000
(1,372)	**Group and PCC Balance as at 1 April**	**512**
1,884	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,949)
512	**Group and PCC Balance as at 31 March**	**(1,437)**

(v) 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.

2020/21			2021/22	
£000	£000		£000	£000
	4,540	**Group and Chief Constable Balance as at 1 April**		**5,788**
(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)
	5,788	**Group and PCC Balance as at 31 March**		**5,773**

(vi) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Group does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The balance relates to the Finance Lease arrangement with Hereford & Worcester Fire Authority amounting to £3.247m (see Notes 19 (i) and 24) and to the disposal of the West Mercia Police share of the Central Counties' Air Operations Unit helicopter in the sum of £0.058 (Note 14).

2020/21 £000		2021/22 £000
(3,594)	**Balance as at 1 April**	**(3,450)**
144	Transfer to the Capital Receipts Reserve upon receipt of cash	145
(3,450)	**Balance as at 31 March**	**(3,305)**

10. 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 PCC's Balance Sheet includes an Intra-Group Creditor of £1.04m (Creditor 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 £000
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)
543,092	**Resources consumed**	**265,767**
	Items removed through the MIRS	
(290,713)	Movement in pensions liability	(9,812)
(1,248)	Movement in accumulated absences liability	15
251,131	**Total resources consumed for the year by the Chief Constable and funded by the PCC**	**255,970**

11. Financing and Investment Income and Expenditure

PCC 2020/21 £000	Group 2020/21 £000		PCC 2021/22 £000	Group 2021/22 £000
727	727	Interest payable	792	792
(25)	(25)	Interest receivable	(34)	(34)
(174)	(174)	Other interest receivable – Finance Lease income	(170)	(170)
(17)	(17)	Income and expenditure in relation to investment properties and changes in their fair value	15	15
511	**511**	**Total**	**603**	**603**
176	58,666	Net interest on the net defined benefit liability	190	57,975
687	**59,177**	**Total for the PCC/Group**	**793**	**58,578**

12. Taxation and Non-Specific Grant Income

2020/21 £000	2020/21 £000		2021/22 £000	2021/22 £000
	(100,420)	Council tax precepts		**(108,786)**
(72,092)		Police Grant	(77,029)	
(46,650)		Ex-DCLG Formula Funding	(49,198)	
(9,200)		Local Council Tax Support Grant	(10,722)	
(2,775)		Council Tax Freeze Grant	(2,775)	
(332)		Local Income Tax Guarantee Grant	95	
(296)		Capital Grants	(196)	
(733)		Capital Contributions	(243)	
	(132,078)	Total Non-specific Grant Income		**(140,068)**
	(232,498)	**Taxation and Non-Specific Grant Income - PCC**		**(248,854)**
	(30,719)	Home Office grant towards the cost of retirement benefits		(37,385)
	(263,217)	**Taxation and Non-Specific Grant Income – The Group**		**(286,239)**

13. Grant Income

The PCC and Group credited the following grants, contributions and donations to the CIES in 2021/22:

2020/21 £000		2021/22 £000
(232,498)	**Credited to Taxation and Non Specific Grant Income - PCC, as per Note 12**	**(248,854)**
(30,719)	Home Office Grant towards the cost of retirement benefits in Chief Constable Accounts	(37,385)
(263,217)	**Credited to Taxation and Non Specific Grant Income - Group**	**(286,239)**
	Credited to Services	
0	Home Office Special Grant for Special Operation	(3,740)
(1,975)	Speed Awareness Contributions	(2,690)
(2,640)	Victim Support Services	(2,419)
(2,112)	Police Pensions Specific Grant to support the increase in employer contributions to 31% from 1 April 2019	(2,112)
(2,841)	Police Uplift Programme Grant (specific grant to fund additional police officers in local policing)	(1,898)
(853)	Apprenticeship Levy Grant for Training Costs	(1,522)
0	OPCC Additional Grant Funding from HO and MoJ	(1,480)
(1,215)	Youth Justice Board – Effective Practice Grant	(1,326)
(511)	DBS Vetting Service Fees	(522)
(88)	Safer Streets Grant	(462)
(89)	Emergency Services Network	(320)

(205)	Proceeds of Crime Contributions	(214)
(165)	National Cyber Specialist Program	(192)
(2,528)	Covid Grants – see note below	(75)
(43)	Communications Capabilities Development Programme	(44)
0	McCloud Remedy Funding Grant (Police Pensions)	(26)
0	DLUHC – Local Audit Fees Grant	(21)
(23)	AUP Armed Uplift	(11)
(17)	One Public Estate Grant	(4)
(17)	Other minor grants	(2)
(75)	MOD Covenant Fund	0
(49)	Police Care UK Mental Health – adjustment to 2020/21 accrual	6
(15,446)	**Total Credited to Services – PCC and Group**	**(19,074)**

The Group received a number of grants from government in 2020/21 to support policing during the Covid pandemic, totalling £2.704m, with £0.176m carried forward to 2021/22 (total of £2.528m credited to services in 2020/21). The residual balance from 2020/21 was credited to services in 2021/22 (as above) and also used to fund capital spend on mobile devices in 2021/22 (included within capital grants in Note 12 above).

The Group received a revenue grant in 2016/17 related to the introduction of the Emergency Services Network, the replacement of the national airwave radio system amounting to £0.841m and received further grant of £0.226m in 2021/22. Although the grant initially related to the 2017/18 financial year, as there has only been minimal relevant spend relating to the Emergency Services Network since then, (£0.071m in 2018/19, £0.066m in 2019/20, £0.089m in 2020/21, and £0.320m (shown above), plus £0.084m (£0.066m in 2021/22, £0.016m in 2020/21 and £0.002m in 2019/20) to fund related capital expenditure) the balance of £0.437m is still being recognised as a receipt in advance.

The Group received £0.774m in 2020/21 from Redditch Borough Council as a pre-payment of demolition costs for Redditch Police Station under the terms of the sale and lease back agreement entered into on 31 March 2021. This will be recognised as a receipt in advance until 2022/23 when the property will be vacated and then demolished by the Group before the end of the lease period (31 March 2023).

14. 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 and the first half of 2021/22. A revised cost sharing mechanism was 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.

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

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

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:

ICT Shared Services 2021/22	£000	£000
West Mercia Direct Costs:	4,797	
Direct Overheads (Staff Pay):	75	

Overheads (Premises @ 4% and General @ 2%):	129	
Total West Mercia Costs:	**5,001**	
Recharge to Warwickshire @ 31.8%:		**(1,590)**
Total Warwickshire Direct Costs:	**672**	
Recharge to West Mercia @ 68.2%:		**459**
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)
Net Total Payable by Warks to West Mercia:		**(1,176)**

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).

ICT Shared Services 2020/21	**£000**	**£000**	**£000**
West Mercia Total Costs of ICT	14,609		
Less: West Mercia Only Costs:	(757)		
West Mercia Direct Costs:		13,852	
Direct Overheads (Staff Pay):		144	
Overheads (Premises @ 4% and General @ 2%):		268	
Total West Mercia Costs:		**14,264**	
Recharge to Warwickshire @ 31.7%:			**(4,522)**
Warwickshire Total Costs of ICT	2,818		
Less: Warwickshire Only Costs:	(589)		
Total Warwickshire Direct Costs:		**2,229**	
Recharge to West Mercia @ 68.3%:			**1,523**
Adjustment for costs initially charged to one Force but relating solely to the other			
100% West Mercia Costs Charged to Warwickshire		42	
100% Warwickshire Costs Charged to West Mercia		(166)	(124)
Net Total Payable by Warks to West Mercia:			**(3,123)**

Place Partnership Limited

Place Partnership Limited (PPL) was a single asset management company co-owned by West Mercia Police, Warwickshire Police, Worcestershire County Council and Hereford & Worcester

Fire Authority that commenced business on 1 September 2015. Each party had equal shares and equal voting rights.

As stated in Note 6, in March 2020 Worcestershire County Council gave notice of its intention to exit PPL effective from 1st April 2021. The remaining partners agreed to dissolve PPL and it ceased trading 31st March 2021; 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		2021/22
£000		£000
(14,721)	Contribution from West Midlands Police	(14,500)
(4,001)	Contribution from West Mercia Police	(3,970)
(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)
(29,500)	**Total funding provided to the WMROCU**	**(30,089)**
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
29,500	**Total Expenditure**	**30.089**
0	**Total Net Expenditure**	**0**

National Police Air Service (NPAS)

NPAS was set up by the Home Office with effect from 2 October 2012 with administration of the service being provided by the Chief Constable of West Yorkshire. NPAS does not constitute a jointly controlled operation and so the PCC only accounts for the expense of payments to NPAS amounting to in £0.612m 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 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.

15. 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.

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 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	52	12
£20,001 - £40,000	3	0	79	0
£40,001 - £60,000	1	2	49	106
£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
Total	**13**	**6**	**756**	**270**

16. 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 Officers only)	Exit Packages	Pension Contributions	Total
		£	£	£	£	£	£	£	£
Chief Constable – Pippa Mills – Note 1	2021/22	84,440	0	0	36,611	0	0	26,176	147,227
	2020/21	0	0	0	0	0	0	0	0
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	2021/22	129,264	0	0	4,746	3,701	0	40,072	177,783

Constable 1 – Note 2	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
Police & Crime Commissioner	2021/22	76,500	0	0	0	0	0	12,546	89,046
	2020/21	76,500	0	0	0	0	0	12,546	89,046
Deputy PCC	2021/22	35,700	0	0	0	0	0	5,855	41,555
	2020/21	48,450	0	0	0	0	0	7,946	56,396
Chief Executive to the PCC – Note 8	2021/22	117,413	0	1,149	0	0	50,570	15,194	184,326
	2020/21	99,900	0	1,239	0	0	0	16,384	117,523
Treasurer to the PCC 1 – Note 9	2021/22	41,430	0	0	0	0	0	6,752	48,182
	2020/21	56,077	0	0	0	0	0	9,197	65,274
Treasurer to the PCC 2 – Note 9	2021/22	56,934	0	0	0	0	0	9,078	66,012
	2020/21	0	0	0	0	0	0	0	0

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
8	Chief Executive left 4 March 2022; Payment in Lieu of Notice included in 2021/22 salary cost.
9	The previous Treasurer to the Commissioner in the PCC's office retired on 30 November 2021 and the new Treasurer acted up into the role before being appointed permanently from 5 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:

Number of Employees			Number of Employees	
Group	PCC	Remuneration Band	Group	PCC
2020/21	2020/21		2021/22	2021/22
138	0	£50,000 - £54,999	157	0
126	2	£55,000 - £59,999	118	2
47	1	£60,000 - £64,999	55	1
13	1	£65,000 - £69,999	12	0
5	0	£70,000 - £74,999	7	0
11	1	£75,000 - £79,999	6	1
2	0	£80,000 - £84,999	8	1
3	0	£85,000 - £89,999	2	0
2	0	£90,000 - £94,999	2	0
1	0	£95,000 - £99,999	2	0
1	1	£100,000 - £104,999	0	0
0	0	£105,000 - £109,999	2	0
2	0	£110,000 - £114,999	0	0
0	0	£115,000 - £119,999	1	0
1	0	£120,000 - £124,999	1	0
0	0	£125,000 - £129,999	1	0
1	0	£135,000 - £139,999	1	0
1	0	£160,000 - £164,999	0	0
0	0	£165,000 - £169,999	1	1
354	**6**	**Total**	**376**	**6**

17. External Audit Costs

The Group's Proposed External Audit Fee for 2021/22 is £62,118 (£61,818 in 2020/21) in relation to the Statement of Accounts statutory audit provided by the Group's external auditors, Grant Thornton. The PCC's share of the audit fee is £40,786 (£40,475 in 2020/21) and the Chief Constable's share is £21,332 (£21,073 in 2020/21).

The actual amounts charged to the CIES amount to £64,122 for the Group, £48,899 for the PCC, and £15,223 for the Chief Constable. These figures include 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 (£38,380 for the PCC and £15,438 for the Chief Constable which are lower than the actual fees that Grant Thornton have subsequently advised). A rebate of £8,050 was received from Public Sector Audit Appointments in respect of audit fees for 2020/21 (PCC: £5,200; CC: £2,850) 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).

18. Related Parties

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

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

Central government has significant influence over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties (e.g. council tax bills). Grants received from government are set out in Notes 12 and 13.

The PCC has direct control over the Group's finances, including making crime and disorder reduction grants and is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the PCC, to deliver the aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that the local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept.

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 14, 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 14, Place Partnership Limited (PPL) was a single asset management company co-owned by West Mercia Police, Warwickshire Police, Worcestershire County Council and Hereford & Worcester Fire Authority that commenced business on 1 September 2015. Following Worcestershire County Council giving notice in March 2020 of its intention to exit PPL effective from 1st April 2021, during 2020/21 the remaining partners agreed to dissolve PPL and it ceased trading 31st March 2021. Each party held two shares of £1 each (held by the PCC). The PCC received no remuneration from PPL. The Deputy PCC has been a non-Executive Director of PPL from April 2020 and also received no benefit or remuneration. Papers have now been filed at Companies House placing PPL into a solvent liquidation.

The Deputy PCC is a County Councillor for Worcestershire and a District Councillor in Wyre Forest, and the PCC's sister is also a District Councillors in Wyre Forest. No personal benefit is obtained by them from these positions. In 2021/22, the Group incurred spend of £0.398m (£0.239m in 2020/21) with Worcestershire County Council (rental, room hire, grants and other items of general expenditure) and £0.129m (£0.163m in 2020/21) with Wyre Forest District Council (mainly business rates).

As explained in the Narrative Report, the government launched its white paper on the 18th May 2022 on reforming Fire and Rescue Services, which includes proposed changes to the Governance of these organisation. The PCC will be reviewing the proposals and working with Fire and Rescue Authorities to identify what future role the PCC may have and how to enable closer collaboration between emergency services.

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

	Expenditure £000	Income £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)
Total	**10,296**	**(7,608)**

There are no other related party transactions for the PCC and Chief Constable other than those set out above, which require adjustment of or disclosure in the financial statements or the accompanying notes. All contracts have been entered into in compliance with the Scheme of Delegation and Financial and Contract Regulations 2021/22. The following table shows the seven suppliers with which the Group incurred the greatest expenditure in 2021/22:

	Expenditure £000
West Midlands Police	5,127
West Mercia Rape and Sexual Abuse Centre	2,202
Specialist Computer Centres PLC	2,041
Noonan Services Group	1,743
Insight (Direct) UK Ltd	1,719
Home Office Accounting Officer	1,592
Virgin Media Business	1,571

19. Leases

The cost of operating leases is shown in the Chief Constable's Accounts to reflect the day-to-day direction and control the Chief Constable exercises over the resources acquired. However the PCC holds ultimate responsibility for entering into lease arrangements.

The Group as Lessee

The PCC occupies 19 premises (23 in 2020/21) on an operating lease basis. The lease payments due in future years are:

31 March 2021 £000		31 March 2022 £000
597	Not later than one year	645
1,942	Later than one year and not later than five years	2,116
1,703	Later than five years	1,410
4,242	**Total PCC and Group**	**4,171**

The amount paid in 2021/22 was £0.8m (£0.7m in 2020/21).

The Group as Lessor

(i) Finance Lease

The PCC entered into a partnership with Hereford and Worcester Fire Authority (H&WFA) to build a joint facility in Bromsgrove. The costs of the build were met fully by West Mercia PCC with H&WFA leasing its part of the building over an initial 30 year term, commencing with effect from 1 April 2014. This arrangement has been identified as a finance lease and has a remaining term of 23 years.

The PCC has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for H&WFA's part of the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee (see Note 24) and finance income that will be earned by the PCC in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2021 £000		31 March 2022 £000
	Finance Lease debtor (net present value of minimum lease payments):	
70	Current	73
2,862	Non-current	2,789
2,588	Unearned finance income	2,418
385	Unguaranteed residual value of property	385
5,905	**Gross investment in the lease**	**5,665**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

Gross Investment in the Lease	Minimum Lease Payments		Gross Investment in the Lease	Minimum Lease Payments
31 March 2021 £000	31 March 2021 £000		31 March 2022 £000	31 March 2022 £000
240	240	Not later than one year	240	240
960	960	Later than one year and not later than five years	960	960
4,705	4,320	Later than five years	4,465	4,080
5,905	**5,520**	**Total PCC and Group**	**5,665**	**5,280**

(ii) Operating Leases

The PCC leases out property under operating leases for the following purposes:

- for the provision of community services such as the Community Hub in Evesham (see also Note 22);
- for the tenancy of Hindlip Farm (land only);
- for the provision of equipment on masts (a change in legislation now means only a minimal amount can be charged and no income was received for these in 2021/22).

The lease payments receivable in future years are:

31 March 2021 £000		31 March 2022 £000
64	Not later than one year	33
18	Later than one year and not later than five years	133
0	Later than five years	0
82	**Total PCC and Group**	**166**

The amount received in 2021/22 was £0.086m (£0.020m in 2020/21).

20. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources used to finance it. Where capital expenditure is to be financed in future years, by charges to revenue as assets are used by the Group, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Group that has yet to be financed.

2020/21 £000		2021/22 £000
48,980	**Opening Capital Financing Requirement – PCC and Group**	**57,865**
	Capital investment:	
11,045	Property, plant and equipment	10,442
1,950	Intangible assets	404
0	Revenue expenditure funded from capital under statute	14
	Sources of finance:	
(505)	Capital receipts	(204)
(1,029)	Government grants and other contributions	(439)
	Sums set aside from revenue:	
(158)	Direct revenue contributions	(3,653)
(83)	Contribution from Reserves	(737)
(2,335)	Minimum Revenue Provision	(3,578)
57,865	**Closing Capital Financing Requirement – PCC and Group**	**60,114**
	Explanation of movements in the year	
11,220	Increase in underlying need to borrow in respect of capital expenditure not financed by other means (and unsupported by government financial assistance)	5,827
(2,335)	Decrease in underlying need to borrow in respect of Minimum Revenue Provision for the year	(3,578)
8,885	**Increase/(Decrease) in Capital Financing Requirement**	**2,249**

Capital Commitments

As at 31 March 2022, the Group had capital commitments of £4.6m (£2.0m as at 31 March 2021), relating mainly to spend on Vehicles (£1.4m) and ICT hardware (£1.7m) that had been ordered during 2021/22 but had not been delivered as at 31 March 2022.

21. Property, Plant and Equipment (PPE)

The PCC holds all the Group's PPE. Assets are strategic in nature and are controlled by the PCC to achieve strategic outcomes.

The movements on the balances of the PPE assets are shown in the following tables:

PCC and Group Movements in 2021/22	Land & Buildings £000	Vehicles £000	Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000
Cost or valuation at 1 April 2021	**56,504**	**13,412**	**23,274**	**1,825**	**6,575**	**101,590**
Additions	1,507	770	1,923	0	6,242	10,442
Transfer from / (to) Assets under Construction	421	0	2,741	0	(3,184)	(22)
Transfer from / (to) Surplus Assets	(71)	0	0	71	0	0

Donated Assets	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,758)	0	0	395	0	(1,363)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,260	0	0	0	0	1,260
De-recognition – disposals	0	(966)	0	0	0	(966)
De-recognition – donated	0	0	0	0	0	0
De-recognition – other	0	0	(317)	0	0	(317)
At 31 March 2022	**57,863**	**13,216**	**27,621**	**2,291**	**9,633**	**110,624**
Less Accumulated Depreciation and Impairment						
At 1 April 2021	**(2,218)**	**(8,844)**	**(13,471)**	**0**	**0**	**(24,533)**
Depreciation charge						
Depreciation written out to the Revaluation Reserve	(120)	0	0	0	0	(120)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,336)	(1,624)	(3,775)	0	0	(6,735)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,002	0	0	0	0	2,002
Transfer (from) / to Assets Held for Sale	0	0	0	0	0	0
De-recognition – disposals	0	945	0	0	0	945
De-recognition – donated	0	0	0	0	0	0
De-recognition – other	0	0	317	0	0	317
At 31 March 2022	**(1,672)**	**(9,523)**	**(16,929)**	**0**	**0**	**(28,124)**
Net book value at 31 March 2022	**56,191**	**3,693**	**10,692**	**2,291**	**9,633**	**82,500**
Net book value at 31 March 2021	**54,286**	**4,568**	**9,803**	**1,825**	**6,575**	**77,057**

Assets created under the alliance arrangements were jointly controlled with only the PCC's share being held in the Balance Sheet. Where the PCC for Warwickshire's share of these assets was originally purchased by the PCC for West Mercia, they were donated to the PCC for Warwickshire. The PCC for Warwickshire then made a grant payment to the PCC equivalent to the expenditure incurred. ICT Equipment Assets amounting to £0.106m and ICT Assets under Construction amounting to £0.610m were treated in this manner during 2020/21, with the equivalent amount of assets being donated to the PCC for Warwickshire. This arrangement has now ceased.

PCC and Group Movements in 2020/21	Land & Buildings	Vehicles	Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2020	**59,102**	**12,998**	**18,967**	**2,075**	**10,469**	**103,611**
Additions	370	2,015	4,015	0	4,644	11,044
Transfer from / (to) Assets under Construction	6	0	3,134	0	(7,927)	(4,787)
Transfer from / (to) Assets Held for Sale	0	0	0	0	0	0
Donated Assets (see Telephony note above)	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,570)	0	0	(25)	0	(1,595)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	356	0	0	0	0	356
De-recognition – disposals	(1,760)	(1,601)	0	(225)	0	(3,586)
De-recognition – donated	0	0	(211)	0	(611)	(822)
De-recognition – other	0	0	(2,631)	0	0	(2,631)
At 31 March 2021	**56,504**	**13,412**	**23,274**	**1,825**	**6,575**	**101,590**
Less Accumulated Depreciation and Impairment						
At 1 April 2020	**(2,750)**	**(8,515)**	**(12,173)**	**0**	**0**	**(23,438)**
Depreciation charge						
Depreciation written out to the Revaluation Reserve	(91)	0	0	0	0	(91)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,367)	(1,840)	(3,929)	0	0	(7,136)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,144	0	0	0	0	1,144
Transfer (from) / to Assets Held for Sale	0	0	0	0	0	0
De-recognition – disposals	846	1,511	2,631	0	0	4,988
De-recognition – donated	0	0	0	0	0	0
De-recognition – other	0	0	0	0	0	0
At 31 March 2021	**(2,218)**	**(8,844)**	**(13,471)**	**0**	**0**	**(24,533)**
Net book value at 31 March 2021	**54,286**	**4,568**	**9,803**	**1,825**	**6,575**	**77,057**
Net book value at 31 March 2020	**56,352**	**4,483**	**6,794**	**2,075**	**10,469**	**80,173**

Revaluations

The PCC carries out a rolling programme that ensures that all Land and Buildings required to be measured at current value are revalued at least every five years, with desktop valuations being carried out more frequently where appropriate. Further information about the revaluations including the bases used is set out in Accounting Policy xviii.

2020/21 PCC and Group £000		2021/22 Land and buildings £000
0	Carried at current value at 31 March 2022 (GBV at 31 March 2022 £43.871m)	43,871
21,536	Carried at current value at 31 March 2021 (GBV at 31 March 2022 £13.992m)	12,320
28,469	Carried at current value at 31 March 2020	0
4,281	Carried at current value at 31 March 2019	0
54,286	**Total Valuations**	**56,191**

Surplus Assets are defined as properties that are not being used to deliver services, but that do not meet the Code's criteria to be classified as either Investment Properties or an Assets Held for Sale. Surplus Assets are valued at current value and the following table summarises the valuations of these assets, measured using significant observable inputs (Level 2 of the current value hierarchy):

2020/21 PCC and Group £000		2021/22 PCC and Group £000
0	Carried at current value at 31 March 2022	2,291
1,825	Carried at current value at 31 March 2021	0
1,825	**Total Valuations**	**2,291**

Vehicles of £3.693m and Plant Furniture & Equipment of £10.691m are carried at Depreciated Historic Cost. Assets under Construction of £9.633m are held at Historic Cost.

22. Investment Properties

Rental income of £0.053m from Evesham Customer Contact Centre has been accounted for in 2021/22 (£0.042m in 2020/21) in the Financing and Investment Income and Expenditure line in the CIES. The tenant has now vacated the property and no new tenant has yet been found. There are no restrictions on the PCC's ability to realise the value inherent in its investment property or on the PCC's right to the remittance of income and the proceeds of disposal. The PCC has no contractual obligations to purchase, construct or develop investment property or undertake repairs, maintenance or enhancement. The following table summarises the movement in the current value of investment properties over the year, measured using significant observable inputs (Level 2 of the current value hierarchy):

2020/21 £000		2021/22 £000
370	Balance at start of the year – PCC and Group	345
(25)	Net gains/losses from current value adjustments	(68)
345	**Balance at end of the year – PCC and Group**	**277**

23. Intangible Assets

Software is accounted for as intangible assets, to the extent that the software is not an integral part of a particular ICT system and accounted for as part of the hardware item in PPE. All software is given a finite useful life of 5 years. The carrying amount of software assets is amortised on a straight-line basis. The amortisation charge to revenue expenditure is absorbed as an overhead across all divisions of service. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. Amortisation costs are charged to the Net Cost of Services in the CIES.

The movement of Intangible Assets during the year is as follows:

2020/21		2021/22
Software		Software
£000		£000
	Balance at start of year – PCC and Group	
3,827	Gross carrying amounts	9,838
(2,444)	Accumulated amortisation	(2,942)
1,383	**Net carrying amount at start of year**	**6,896**
1,950	Additions - purchased	404
4,787	Additions – transfer from Assets Under Construction	22
0	Disposals	0
(726)	De-recognition – other	(368)
(1,224)	Amortisation for the period	(1,160)
726	De-recognition depreciation – other	368
6,896	**Net carrying amount at end of year**	**6,162**
	Comprising:	
9,838	Gross carrying amount	9,896
(2,942)	Accumulated amortisation	(3,734)
6,896	**Balance at end of the year – PCC and Group**	**6,162**

24. Long-Term Debtors

This note shows money owed to the Group and PCC for funding and services provided on or before 31 March 2022 where the money will be received in excess of one year from this date. The balance mainly relates to the net investment in the Finance Lease in respect of the partnership with Hereford and Worcester Fire Authority (H&WFA) to build a joint facility in Bromsgrove (£3.247m), as explained in Note 19 (i) and NPAS's liability to the PCC in respect of the disposal of the helicopter as explained in Note 14 (£0.14m - with £0.044m being shown as a short-term debtor). These two items are matched by balances held as Deferred Capital Receipts. A pre-payment of 10 years' rental on leased premises at Pershore was made in 2017 and the balance relating to the 5 years from 2023/24 onwards is shown as a long-term debtor (£0.116m).

2020/21 £000		2021/22 £000
3,620	**Balance at start of year**	**3,522**
(29)	Pre-payment of rent for Pershore Police Station for 2022/23 moved to short term debtors	(29)
5	NPAS – Helicopter (correction of duplication of movement to short-term debtors in 2019/20)	(43)
(66)	Settlements relating to the Finance Lease	(70)
(8)	Other minor additions / (repayments)	(4)
3,522	**Total**	**3,376**

25. Assets Held for Sale

An asset rationalisation plan has been developed by the OPCC and assets that potentially could be disposed of have been identified, however, the implementation of the plan is still at any early stage and no properties were sold during 2021/22. No asset meets the criteria to be classified as an asset held for sale in the Accounts as at 31 March 2022. Further to this an annual impairment review is also carried out.

The profit of £0.037m on disposal of non-current assets shown in the CIES relates to the profit on disposal of vehicles during the year.

26. Debtors and other current assets

This note shows money owed to the Group and PCC for funding and services provided on or before 31 March 2022 where the money has not been received by this date. Further information regarding Debtors is shown in Notes 30 and 31 – Financial Instruments. 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
1,311	Trade Receivables	1,448
2,456	Prepayments	2,884
15,888	Other Receivables	19,400
19,655	**Group Debtors**	**23,732**
(561)	**Less** Chief Constable Debtors: Prepayments	(671)
(6,683)	**Less** Chief Constable Debtors: Other receivables	(9,113)
12,411	**PCC Debtors**	**13,948**

27. Cash and Cash Equivalents

The balance of the PCC's cash and cash equivalents is made up of the following elements:

31 March 2021 £000		31 March 2022 £000
22	Cash held by the Group	26
898	Bank current accounts	1,955
8,951	Short term deposits	1,504
9,871	**Total Group and PCC**	**3,485**

28. Creditors

This note shows money owed by the Group and PCC for goods and services purchased and received on or before 31 March 2022 where the money has not been paid by this date. Further information regarding Creditors is shown in Note 30 – Financial Instruments.

31 March 2020 £000		31 March 2021 £000
(8,925)	Trade Payables	(4,653)
(23,052)	Other Payables	(28,266)
(31,977)	**Group Creditors**	**(32,919)**
14,983	**Less** Chief Constable Creditors	16,596
(16,994)	**PCC Creditors**	**(16,323)**

29. Provisions and Contingent Liabilities

Termination Benefits

This provision was established to meet the costs of voluntary redundancies and early retirements on the grounds of voluntary redundancy 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
Balance at 1 April 2021	**361**
Additional provisions made in 2021/22	0
Amounts used in 2021/22	(361)
Balance at 31 March 2022 for the Group and Chief Constable	**0**

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.

Insurance and Legal claims – Contingent Liability

The Group has assessed its outstanding Insurance and Legal claims and has identified some higher risk cases that may result in a settlement amount not covered by insurance. In accordance with Accounting Policy xix, it has been determined that the probability of an outflow of resources being required is not great enough to make a provision for these amounts: a contingent liability is therefore disclosed. In the event that a future payment is required an earmarked reserve is held under usable reserves (see Note 8) to fund any settlements.

30. Financial Instruments

Categories of Financial Instruments

The PCC holds simple financial instruments (investments (cash) and borrowings), which is reflected in the scope of this Note to the Accounts. A new temporary loan amounting to £5m was taken out with The PCC for South Wales during the year and will be repaid in July 2022. No other borrowing was required due to slippage on the capital programme and an underspend on the revenue budget.

The following categories of financial instruments are carried in the Balance Sheet:

Financial Assets	Long Term		Current	
	Investments	Debtors	Investments / Cash	Debtors
As at 31 March 2022	£000	£000	£000	£000
Fair value through profit or loss	0	0	0	0
Amortised cost (previously loans and receivables)	0	0	3,485	14,975
Fair value through other comprehensive income	0	0	0	0

Debtors that are not financial instruments (taxes and payments in advance)	0	116	0	8,757

Financial Assets	Long Term		Current	
	Investments	Debtors	Investments / Cash	Debtors
As at 31 March 2021	£000	£000	£000	£000
Fair value through profit or loss	0	0	0	0
Amortised cost (previously loans and receivables)	0	3	9,871	12,944
Fair value through other comprehensive income	0	0	0	0

Debtors that are not financial instruments (taxes and payments in advance)	0	145	0	7,119

Financial Liabilities As at 31 March 2022	Long Term Borrowings £000	Long Term Creditors £000	Current Borrowings £000	Current Creditors £000
Fair value through profit or loss	0	0	0	0
Amortised cost	32,614	0	6,629	23,866

Creditors that are not financial instruments (taxes, National Insurance and prepayments)	0	0	0	9,053

Financial Liabilities As at 31 March 2021	Long Term Borrowings £000	Long Term Creditors £000	Current Borrowings £000	Current Creditors £000
Fair value through profit or loss	0	0	0	0
Amortised cost	34,141	0	11,637	17,607

Creditors that are not financial instruments (taxes, National Insurance and prepayments)	0	0	0	8,582

Income, Expense, Gains and Losses

The interest received on Financial Assets (investments) and interest paid on Financial Liabilities (borrowings) are as follows:

	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
2021/22		
Interest Revenue: financial assets measured at amortised cost	(34)	0
Interest Expense Payable	792	0
2020/21		
Interest Revenue: financial assets measured at amortised cost	(25)	0
Interest Expense Payable	727	0

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions (other significant observable inputs – Level 2 of the fair value hierarchy):

- estimated interest rates at 31 March 2022 of 1.23% for loans from the Public Works Loans Board (PWLB);
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value;

- discount rates of between 2.1% and 2.9% for Arlingclose's calculation of fair value of PWLB loans, based on local authority bonds in issue;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value;
- as the Salix loans are interest free the carrying amount is equal to the fair value amount;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount (equal to the carrying amount shown in the table above).

The fair values calculated are as follows:

PCC and Group	31 March 2022		31 March 2021	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities - PWLB	34,028	35,501	35,600	40,525
Financial Liabilities – Short-term, temporary borrowing	5,101	5,000	10,015	10,000
Financial Liabilities – Salix	114	114	163	163
Total Borrowing	39,243	40,615	45,778	50,688

The fair value of the liabilities is higher than the carrying amount because the Group's portfolio of loans includes two fixed rate loans where the interest rate payable is significantly higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders at a different rate from current market rates. A calculation of the fair value amount is supplied by the PWLB, using redemption rates, however, IFRS13 requires a different basis to be used and the fair value figures in the table have been calculated by the PCC's Treasury Advisers, Arlingclose, using the basis above. The PWLB calculations were £39.8m (£44.2m as at 31 March 2021).

31. Nature and Extent of Risks Arising From Financial Instruments

The Group's activities expose it to a variety of financial risks, principally:

- **Credit risk:** The possibility that other parties might fail to pay amounts due to the Group;
- **Liquidity risk:** The possibility that the Group might not have funds available to meet our commitments to make payments;
- **Market risk:** The possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements (the Group does not hold any share equity).

The Group has adopted CIPFA's Treasury Management in Public Services Code of Practice and set treasury management indicators to control financial instrument risks in accordance with CIPFA's Prudential Code. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund police services. Risk management is carried out by a Treasury Management Team, under policies approved by the PCC in the annual Treasury Management

Strategy. The PCC provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Treasury Management Strategy can be found on the PCC's website.

Credit Risk

The overriding aim of the Group is to maintain the security of its capital and liquidity of its investments over the requirement for an investment return. The Group will also aim to achieve the optimum return on its investments, commensurate with proper levels of security and liquidity. The risk appetite of the Group is extremely low in order to give overriding and absolute priority to the security of its investments. The borrowing of monies purely to invest or lend on and make a return is unlawful and the Group does not engage in such activity.

The principal risks are minimised by the Annual Investment Strategy, which forms part of the overall Treasury Management Strategy. It is a requirement of the Strategy that cash balances are invested with banks and building societies with strong short-term credit rating, other local authorities and the UK Government Debt Management Office.

The Group has stipulated the minimum acceptable credit quality of counterparties for inclusion on the counterparty or lending list. The 'creditworthiness methodology' used to create the counterparty list takes account of the ratings and observations published by three ratings agencies, Fitch, Moodys and Standard and Poors.

It is recognised that ratings or the ratings of any one agency should not be given undue weighting or be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector and economic and political environments in which the institutions operate. The assessment will also take account of information that reflects the opinion of the markets and overlay that information on top of the credit ratings. Other information sources used will include the financial press and share price in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. The aim of the strategy is to generate a list of highly creditworthy counterparties, which will allow investments to spread rather than be concentrated with a limited range of institutions. The creditworthiness of institutions is monitored on an on-going basis in conjunction with the PCC's Treasury Advisers, Arlingclose. Should an institution no longer meet the minimum criteria and be deemed no longer appropriate to invest with then investments will be moved immediately.

At 31 March 2022 the short- term investment (cash) balances were as follows:

2020/21 £000		2021/22 £000
7,871	- On call (available immediately) (variable rate)	3,485
1,000	- Repayable in 1 month (fixed rates)	0
1,000	- Repayable in 2 months (fixed rates)	0
9,871	**Total PCC and Group**	**3,485**

It is not unheard of for local authorities and public bodies to hold investments that subsequently the financial institution fails to repay. However, there has been no experience of default on investment of these cash balances and there is no reason to suspect that there will be in the future.

Where it is appropriate to do so customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings with parameters set by the Group. However, the vast majority of transactions do not justify this approach.

Receipts from customers for sales of services and recoupable costs from other public bodies are a relatively small part of the Group's income (£17.2m in 2021/22). No old, overdue invoices amounting were written off in 2021/22.

The Group generally allows a 30 day standard credit term for customers such that £0.7m of the £1.5m balance outstanding from customers at 31 March 2022 was past the point of 30 days from the date of invoice; this is similar to 2020/21. This past due amount can be analysed as follows:

31 March 2021 £000		31 March 2022 £000
278	Less than 3 months	458
58	3 to 6 months	6
55	6 to 12 months	6
281	Over 12 months	219
672		**689**

The following table summarises the potential maximum exposure at the year end to credit risks other than treasury investments and cash-equivalent investments.

	%	£000
Balance of debtors ledger at 31 March 2022		1,486
Historical experience of default	1	
Historical experience adjusted for market conditions at 31 March 2022	3	
Estimated maximum exposure to default at 31 March 2022		61
Estimated maximum exposure to default at 31 March 2021		47

Liquidity Risk

The Group has a cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Group has ready access to borrowings from the PWLB or from other Local Authorities. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. There is a degree of risk that borrowing will need to be undertaken at a time of unfavourable interest rates, therefore, the position is monitored closely.

Borrowing limits for the Group are set in the Prudential Indicators prepared as a requirement of the CIPFA Prudential Code. Maximum borrowing limits for 2021/22 were set at £90m, due to the high level of the capital programme in the Medium Term Financial Strategy. Long-term PWLB borrowing has not been taken out in 2021/22 due to a favourable cash flow position and slippage on the capital programme. Further external borrowing will be required during 2022/23 to replace the £5m short-term loan that matures in July 2022 and to fund the capital programme. The maturity analysis of the financial liabilities is as follows:

31 March 2021 £000		31 March 2022 £000
11,637	Less than one year – Short-term Borrowing (includes accrued interest of £0.101m at 31 March 2022 (£0.116 at 31 March 2021))	6,629
1,528	Between one and two years	6,534
9,535	Over two and up to five years	4,505
13,078	Over five and up to twenty years	11,575
10,000	Over 20 years	10,000
45,778	Total Borrowing for the Group / PCC	**39,243**

All trade and other payables are due to be paid in less than one year.

Market Risk

The Group held no fixed rate short-term investments at year end although it did at various times during the year, depending on its cash flow position. Over a number of years, in line with changes to interest rates generally, there has been a significant reduction in interest rates and therefore a fall in overall investment returns. With the recent increases to the Bank of England Bank Rate this is now changing and investment returns will be much higher in 2022/23. An increase in interest rates has the following effect on investments:

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services (CIES) will rise;
- Investments at fixed rates – the fair value of assets will fall.

A decrease in interest rates will have the opposite effect. Generally the nature of short-term investments indicates that any difference between the actual value and fair value of the investment would be marginal.

The Group holds fixed rate loans, which eliminates the risk of interest rate movement on borrowing. Borrowings are not carried at fair value, so nominal gains or losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The approach to borrowing for capital projects is to delay borrowing and to temporarily use working capital balances for as long as possible. The present relative rates of interest for borrowing and lending mean that it is advantageous to delay long-term borrowing whilst the overall cash flow is positive. Capital expenditure temporarily funded from working capital up to 31 March 2022 was £20.971m (£12.203m at 31 March 2021) this has increased by £8m, due to the reduction in external borrowing and the use of a revenue contribution to capital of £3.5m to partly fund the capital programme during 2021/22.

Working capital balances as at 31 March 2022 are again at their lowest possible level and some of the capital expenditure in 2022/23 will require external borrowing during the year. There is a risk that rates may be adverse when and if this borrowing takes place, particularly with the increases in the Bank Rate. Monitoring medium and long-term borrowing costs versus the opportunity costs of not investing working capital mitigates this risk. The Treasury Management team has an active strategy for assessing interest rates exposure that feeds into setting the Medium Term Financial Plan and annual budget and is used to update the budget quarterly during the year. The working capital position and the potential timing of external borrowing are being monitored closely by the Treasury Management team in consultation with the Treasurer and the external Treasury advisers, Arlingclose.

It is calculated that if interest rates had been 1% higher for 2021/22 with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on fixed rate borrowings	390
Increase in interest receivable on fixed rate short term investments	(129)
Impact on Surplus or Deficit on then Provision of Services	**261**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

32. 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.

33. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:-

2020/21 £000		2021/22 £000
25	Interest received	34
(727)	Interest paid	(792)
(702)	**Total – Group and PCC**	**(758)**

The surplus/deficit on the provision of services has been adjusted for the following non-cash movements:-

PCC 2020/21 £000	Group 2020/21 £000		PCC 2021/22 £000	Group 2021/22 £000
(7,228)	(7,228)	Depreciation	(6,854)	(6,854)
356	356	(Downward)/Upward valuations	1,260	1,260
(1,224)	(1,224)	Amortisation of intangible assets	(1,160)	(1,160)
3,437	2,948	(Increase)/decrease in revenue creditors	1,514	(99)
2,398	(1,698)	Increase/(decrease) in revenue debtors	2,356	4,785
0	173	Increase/(decrease) in inventories	0	110
(3,093)	0	Movement in Intra-Group Funding	1,272	0
(454)	(62,712)	Movement in pension liability	(854)	(66,272)
0	71	Movement in provisions	0	361
(25)	(25)	Movement in value of Investment Properties	(68)	(68)
(2,050)	(2,050)	Carrying amount of non-current assets sold	(22)	(22)
(7,883)	**(71,389)**	**Total – Group and PCC**	**(2,556)**	**(67,959)**

The surplus/deficit on the provision of services has been adjusted for the following items that are investing and financing activities:-

2020/21 £000		2021/22 £000
361	Proceeds from the sale of property, plant and equipment	59
1,029	Capital Grants	439
1,390	**Total – Group and PCC**	**498**

34. Cash Flow Statement – Investing Activities

2020/21 £000		2021/22 £000
13,619	Purchase of property, plant and equipment and intangible assets	10,167
(361)	Proceeds from the sale of property, plant and equipment	(59)
(1,347)	Other receipts from investing activities	(1,403)
11,911	**Total – Group and PCC**	**8,705**

35. Cash Flow Statement – Financing Activities

2020/21 £000		2021/22 £000
(15,727)	Cash (receipts) / repayments of short- and long-term borrowing	6,535
(15,727)	**Total – Group and PCC**	**6,535**

36. Defined Benefit Pension Schemes

The costs and liabilities associated with retirement benefits are primarily recorded in the Chief Constable's Accounts. However, with effect from 1 April 2016, the PCC became responsible for the Youth Justice Service (YJS) in the West Mercia area. Following the transfer of the YJS staff to the employment of the PCC, the net pension liability for the PCC single entity became material and is now disclosed in the PCC's Financial Statements. The notes below show the PCC's element of the pensions assets and liabilities in a separate column and these now include the current costs of the former PPL employees who were employed by the PCC with effect from 1 April 2021. The legacy PPL pensions assets and liabilities are shown as a "business combination" from 1 April 2021 as part of the Chief Constable's pensions liability.

Participation in Pension Schemes

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

The Group 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.

- the Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) and the Police Pension Scheme 2015 (PPS) are administered by XPS Pensions Group. 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 Pension Fund Account.

The pension schemes above provide members with index-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, currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police Pension Scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in Oct 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April 2015 to be eligible for remedy.

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

Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. GAD initially estimated the potential increase in scheme liabilities for the force to be approximately £106m of pension scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts. GAD re-calculated the 2019/20 disclosures in August 2020 in light of the eligibility criteria set out in HM Treasury's remedy consultation exercise and issued revised figures to the force after the draft Accounts were produced. The revised figures were incorporated into the Audited Accounts, and resulted in a £26m reduction in the pension liability.

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

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

Compensation Claims

Claimants have lodged claims for compensation. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2022, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

Transactions relating to post-employment benefits

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:

2021/22	LGPS (CC element) £000	LGPS (PCC ele-ment) £000	Police Pension Schemes £000	Group Total £000
CIES				
Cost of Services:				
- current service costs	20,999	1,421	62,400	84,820
- past service costs and gain/loss from settlements	401	15	400	816
Financing and Investment Income and Expenditure				
- net interest expense	4,325	190	53,460	57,975
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	**25,725**	**1,626**	**116,260**	**143,611**
Other Post-Employment Benefits charged to the CIES				
Re-measurement of the net defined benefit liability and return on plan assets	(27,604)	(1,039)	(28,002)	(56,645)
Total Post Employment Benefit charged to the CIES	**(1,879)**	**587**	**88,258**	**86,966**
MIRS				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(25,725)	(1,626)	(116,260)	(143,611)
Actual amount charged against the Police Fund Balance for pensions in the year				
– employers' contributions payable to the scheme	10,998	772	62,778	74,548
– benefits paid direct to beneficiaries			2,790	2,790

2020/21	LGPS (CC element) £000	LGPS (PCC element) £000	LGPS (PPL element) £000	Police Pension Schemes £000	Group Total £000
CIES					
Cost of Services:					
– current service costs	15,978	804	327	55,320	72,429
– past service costs and gain/loss from settlements	500	0	0	610	1,110
Financing and Investment Income and Expenditure					
– net interest expense	4,153	176	(3)	54,340	58,666
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	**20,631**	**980**	**324**	**110,270**	**132,205**
Other Post-Employment Benefits charged to the CIES					
Re-measurement of the net defined benefit liability and return on plan assets	23,136	722	(149)	205,468	229,177
Total Post Employment Benefit charged to the CIES	**43,767**	**1,702**	**175**	**315,738**	**361,382**
MIRS					
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(20,631)	(980)	(324)	(110,270)	(132,205)
Actual amount charged against the Police Fund Balance for pensions in the year					
– employers' contributions payable to the scheme	10,804	526	175	55,298	66,803
– benefits paid direct to beneficiaries	0	0	0	2,690	2,690

Pensions assets and liabilities recognised in the balance sheets for the PCC 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:

2021/22	LGPS (CC element) £000	LGPS (PCC element) £000	Police Pension Schemes £000	Group Total £000
Present value of the defined benefit obligation	(562,250)	(21,213)	(2,697,081)	(3,280,544)
Fair value of plan assets	362,672	12,254	0	374,926
Net liabilities arising from the defined benefit obligation	**(199,578)**	**(8,959)**	**(2,697,081)**	**(2,905,618)**

2020/21	LGPS (CC element) £000	LGPS (PCC element) £000	LGPS (PPL element) £000	Police Pension Schemes £000	Group Total £000
Present value of the defined benefit obligation	(531,264)	(20,082)	(15,343)	(2,674,391)	(3,241,080)
Fair value of plan assets	318,809	10,938	15,343	0	345,090
Net liabilities arising from the defined benefit obligation	**(212,455)**	**(9,144)**	**0**	**(2,674,391)**	**(2,895,990)**

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

2021/22	LGPS (CC element) £000	LGPS (PCC element) £000	LGPS (PPL element) £000	Police Pension Schemes £000	Group Total £000
Opening balance at 1 April	**(531,264)**	**(20,082)**	**(15,343)**	**(2,674,391)**	**(3,241,080)**
Current service cost	(20,999)	(1,421)	0	(62,400)	(84,820)
Interest cost	(11,447)	(439)	0	(53,460)	(65,346)
Contributions by scheme participants	(3,480)	(262)	0	(10,920)	(14,662)
Re-measurement of liabilities	13,982	604	0	28,610	43,196
Business Combinations (PPL - see note above)	(15,343)	0	15,343	0	0
Benefits paid	6,702	402	0	75,880	82,984
Past service costs	(3)	0	0	(400)	(403)
Curtailments	(398)	(15)	0	0	(413)
Closing balance 31 March	**(562,250)**	**(21,213)**	**0**	**(2,697,081)**	**(3,280,544)**
2020/21	**LGPS (CC element) £000**	**LGPS (PCC element) £000**	**LGPS (PPL element) £000**	**Police Pension Schemes £000**	**Group Total £000**
Opening balance at 1 April	**(435,089)**	**(16,685)**	**(12,692)**	**(2,416,641)**	**(2,881,107)**
Current service cost	(15,978)	(804)	(327)	(55,320)	(72,429)
Interest cost	(10,368)	(380)	(303)	(54,340)	(65,391)
Contributions by scheme participants	(3,375)	(175)	(75)	(10,580)	(14,205)
Re-measurement of liabilities	(75,548)	(2,565)	(2,104)	(206,920)	(287,137)
Benefits paid	9,594	527	158	70,020	80,299
Past service costs	0	0	0	(610)	(610)
Curtailments	(500)	0	0	0	(500)
Closing balance 31 March	**(531,264)**	**(20,082)**	**(15,343)**	**(2,674,391)**	**(3,241,080)**

Reconciliation of the movements in the fair value of the scheme assets for the PCC and the group

Reconciliation of fair value of the scheme assets (LGPS)	CC element 2020/21 £000	PCC element 2020/21 £000	PPL element 2020/21 £000	Group Total 2020/21 £000	CC element 2021/22 £000	PCC element 2021/22 £000	PPL element 2021/22 £000	Group Total 2021/22 £000
Opening balance at 1 April	**255,597**	**8,717**	**12,692**	**277,006**	**318,809**	**10,938**	**15,343**	**345,090**
Interest income	6,215	204	306	6,725	7,122	249	0	7,371
Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense	52,616	1,853	2,258	56,727	13,832	450	0	14,282
Administration expenses	(204)	(10)	(5)	(219)	(210)	(15)	0	(225)
Contributions by employer	10,804	526	175	11,505	10,998	772	0	11,770
Contributions from employees into the scheme	3,375	175	75	3,625	3,480	262	0	3,742
Business Combinations (PPL - see note above)	0	0	0	0	15,343	0	(15,343)	0
Benefits paid	(9,594)	(527)	(158)	(10,279)	(6,702)	(402)	0	(7,104)
Closing balance 31 March	**318,809**	**10,938**	**15,343**	**345,090**	**362,672**	**12,254**	**0**	**374,926**

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 PCC, 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 PCC, 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 2023 is £12.1m (PCC: £0.6m). 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 PCC 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.

2021/22	LGPS (CC element) 2021/22 £000	LGPS (PCC element) 2021/22 £000	Police Pension Schemes £000	Group Total £000
Changes in financial assumptions	(11,161)	(483)	(33,762)	(45,406)
Changes in demographic assumptions	(4,245)	(166)	0	(4,411)
Re-measurement of assets	(13,622)	(435)	0	(14,057)
Experience gains and losses	1,424	45	5,760	7,229
Total re-measurement	**(27,604)**	**(1,039)**	**(28,002)**	**(56,645)**

2020/21	LGPS (CC element) 2020/21 £000	LGPS (PCC element) 2020/21 £000	LGPS (PPL element) 2020/21 £000	Police Pension Schemes £000	Group Total £000
Changes in financial assumptions	84,299	2,798	2,351	280,798	370,246
Changes in demographic assumptions	0	0	0	0	0
Re-measurement of assets	(52,412)	(1,843)	(2,253)	0	(56,508)
Experience gains and losses	(8,751)	(233)	(247)	(75,330)	(84,561)
Total re-measurement	**23,136**	**722**	**(149)**	**205,468**	**229,177**

LGPS Assets

The LGPS assets consist of the following categories, by proportion of the total assets held (excluding PPL):

Group

	Total 31 March 2021 £000	Split of Assets between Investment categories %	Total 31 March 2022 £000	Split of Assets between Investment categories %
Equities	280,036	85	296,763	79
Government Bonds	0	0	6,073	2
Other Bonds	294	0	5,286	1
Property	15,443	5	20,876	6
Alternatives–UK Infrastructure etc	33,974	10	45,928	12
Cash-Liquidity	0	0	0	0
Total Assets	**329,747**	**100**	**374,926**	**100**

PCC

	Total 31 March 2021 £000	Split of Assets between Investment categories %	Total 31 March 2022 £000	Split of Assets between Investment categories %
Equities	9,290	85	9,701	79
Government Bonds	0	0	198	2
Other Bonds	10	0	173	1
Property	512	5	682	6
Alternatives–UK Infrastructure	1,126	10	1,500	12
Cash-Liquidity	0	0	0	0
Total Assets	**10,938**	**100**	**12,254**	**100**

Basis for estimating assets and liabilities

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

The assets and liabilities of the LGPS which is administered by Worcestershire County Council (County Council Fund) have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019, rolled forward to 31 March 2022. The liabilities for the Police Pension Schemes have been assessed by the Government Actuary's Department. The principal assumptions used by the actuaries have been:

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%
2.7%	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.

Group

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in 1 year)	316,509	(316,509)
Rate of inflation (increase or decrease by 1%) – Police staff only	219,804	(219,804)
Rate of increase in salaries (increase or decrease by 1%)	256,304	(256,034)
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%)	(312,515)	312,515

PCC

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in 1 year)	9,561	(9,561)
Rate of inflation (increase or decrease by 1%) – Police staff only	9,421	(9,421)
Rate of increase in salaries (increase or decrease by 1%)	9,055	(9,055)
Rate for discounting scheme liabilities (increase or decrease by 1%)	8,507	(8,507)

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
		Contributions Receivable		
		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)	
	(36,071)			**(36,745)**
	(705)	**Individual Transfers In from other schemes**		**(450)**
		Benefits Payable		
56,218		Pensions	57,806	
11,185		Commutations and Lump Sum retirement benefits	16,695	
0		Lump sum death benefits	0	
	67,403			**74,501**
		Payments to and on account of leavers		
92		Refunds of contributions	79	
0		Individual transfers out to other schemes	0	
	92			**79**
	30,719	**Sub-total for the year before transfer from the Group of amount equal to the deficit**		**37,385**
	(30,719)	**Additional funding payable by the Group to meet deficit for the year**		**(37,385)**
	0	**Net Amount Payable / Receivable for the year**		**0**

Notes to the Police Pension Fund Account

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

1. The Account collects the costs and income relating to retired police officers that are in receipt of pensions and income associated with serving police officers that are members of the Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) or the Police Pension Scheme 2015 (PPS). There are certain exceptions to this arrangement, such as pensions payable under the Police Injury Pension Regulations, which are charged directly to the Cost of Services in the CIES;

2. The Account is prepared on an accruals basis with the exception of accounting for lump sum transfer values to and from other pension schemes. Due to the unpredictable nature of transfer values they have been attributed to or transferred from the Account on a payment and receipts basis;

3. The annual cost of police pensions is met, in part, by contributions from the employer and serving police officers and other minor sources of income. Under the Police Pension Fund Regulations 2007, if the Account is in deficit an amount equal to the deficit is transferred from the Police Fund to meet the deficit; the cost to the Police Fund is subsequently reimbursed by the Home Office by way of the Pensions Top Up. Conversely, if the Account was to be in surplus, this would be transferred to the Police Fund and subsequently paid over to the Home Office;

4. The amounts due from the Home Office in respect of the shortfall on the Account is the responsibility of the Chief Constable and has therefore been included in the Chief Constable's (and the Group's) Balance Sheet;

5. This Account does not take account of long-term liabilities to pay future pension benefits after the year end, details of the Group's pension liability can be found in Note 36;

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.

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.

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 Police and Crime Commissioner 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 PCC 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 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 in to which income is received into and expenditure is paid from.

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

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

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

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

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

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

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

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

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

International Financial Reporting Standards (IFRS) & International Accounting Standards (IAS) – The accounting rules and principles, adopted by the International 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 PCC in the future, which includes Current Liabilities and Long Term Liabilities.

Major Precepting Authority – Authorities that make a precept on the billing authorites' 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) – Tangible assets, such as buildings and equipment are assets that yield benefits for a period of more than one year.

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

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

Outturn – The actual amount spent in the financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Scheme of Delegation and Consent, Financial and Contract Regulations – 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 31st March 2020.

Surplus or Deficit on the Provision of Services – The total of income less expenditure, excluding the components of Other Comprehensive Income and Expenditure. Presented in the CIES 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

Police and Crime Commissioner for West Mercia Annual Governance Statement 2021/22