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Chief Constable of West Mercia Police

Statement of Accounts 2022/23

THE CHIEF CONSTABLE OF WEST MERCIA POLICE

STATEMENT OF ACCOUNTS 2022/23

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Narrative Report

Message from Pippa Mills, Chief Constable of West Mercia Police

This year we reached 2494 officers serving across Herefordshire, Shropshire and Worcestershire – the highest number in our force history. We are incredibly proud that we not only met the Uplift recruitment target set by the Home Office in 2019; we exceeded it.

This growth is a result of funding by both central Government and local precept increase by the Police and Crime Commissioner and a huge amount of work and dedicated effort by officers and staff across the force. As a result of this drive, we are now a more representative organisation than ever before and have achieved a long-standing aim of having 35% female police officer representation across the force. We've now chosen to revise our target and reset it at 50%, as it's important we continue to be ambitious to achieve a more balanced level of representation. The growth in our workforce supports everything we are doing to better support victims and our communities. We have also adjusted our BAME workforce target to 5.8% to reflect the changes in our communities from the 2021 census data.

Over the last year I have been proud to see outstanding work from officers, staff and volunteers delivering on our Local Policing Community Charter, striving to tackle the issues we know matter most to you – road safety, anti-social behaviour and preventing and targeting drugs offences. In fact, this last year has seen on our best-ever performance in tackling county lines activity with 336 people arrested, and drugs worth an estimated £446,000 taken off the streets.

We are continuing our focus on tackling neighbourhood crime and in the coming year will build on previous investments from the Police and Crime Commissioner to support the Safer West Mercia Plan and further improve the service we give you. This will include the introduction of five new Neighbourhood Crime Fighting Teams, working alongside our Safer Neighbourhood Teams (SNT) to provide a visible presence and be responsive to local concerns.

It would be remiss not to mention our mission to root out corruption and our relentless approach to getting individuals out of our force that betray our core values. We are strengthening our Anti-Corruption Unit, increasing proactive intelligence gathering and have successfully reduced the time it takes to get corrupt officers and staff out and ensure they never work in policing again. It's important that we acknowledge that this is a very small number of those that work for West Mercia Police. The overwhelming majority of our workforce work incredibly hard day in, day out and are dedicated to delivering the best possible service for the communities we serve. This was evident in abundance at our first ever Quality Policing Awards – which, thanks to a fully sponsored event, saw us rightly celebrate the brave, innovative and community-focused work of our officers, staff and volunteers.

We continue to put emphasis on improving your trust and confidence in us, and particularly amongst women and girls. We have a determined and clear approach to tackling male perpetrated violence against women and girls. We now have specialist officers dedicated to focussing on doing all we can to prevent harm in the first place and, alongside an additional lawyer to help us as cases progress to the courts, we are committed to bringing offenders to justice.

My commitment is to deliver a consistent high-quality service that you can be proud of and our officers, staff and volunteers can be proud of too.

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Thank you for the ongoing support given to West Mercia Police.

Pippa Mills

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.

The current Police and Crime Plan called the Safer West Mercia Plan 2021 – 2025 is built on four key areas of focus to deliver the outcomes that the PCC has identified as being important for the public of West Mercia, these are:



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

The Safer West Mercia Plan provides the overarching objectives that the Chief Constable is required to have regard to in the development of the strategic plans for the Force. The PCC plan is developed in consultation with the Chief Constable as well as a wider range of other stakeholders. In developing its plans for delivery of policing the Chief Constable will also consider the National Strategic Policing Requirement, local public consultation and risk assessments.

A suite of performance metrics to monitor progress against the commitments in the Safer West Mercia Plan have been agreed with the Force. The PCC will use these to monitor delivery of the key objectives in the plan and on which he can hold the Chief Constable to account on.

The Strategic Policing Requirement is under review but during the financial year ending 31st March 2023 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.

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The 2023 version introduces violence against women and girls as an additional national threat, and reaffirms the validity of the existing threats. The strategic Policing Requirement sets out the Home Secretary’s aim to deliver on the people’s priorities, cut crime and provide the safer streets the public expect and deserve.

Whilst the PCC sets a budget for the Force which provides the resources to deliver the above strategic aims, the PCC also 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 Chief Constable has set her strategic direction which reflects the priorities highlighted above as well as the Force’s 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 West Mercia represents the community’s we police.

Table 1. Workforce Analysis

	West Mercia	BME %	Female %	Male %
Police Officers	2,484	3.3	36.1	63.9
PCSOs	196	3.1	51.0	49.0
Police Staff	1,892	3.6	63.9	26.1
Total	4,572	3.4	48.3	51.7

Section 2 – Governance

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

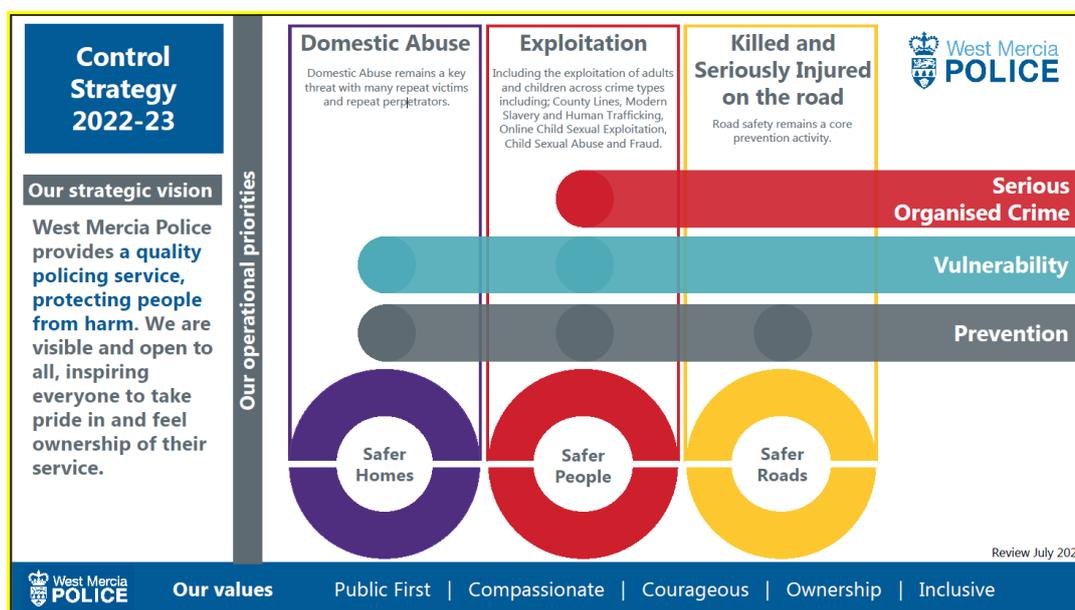
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Separate PCC and Force strategic risk registers are held and reviewed regularly, with mitigations identified and taken where necessary. Strategic Risks are reported to the Joint Audit and Standards Committee for review and scrutiny.

Operational 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 has been in place during the financial year.

Diagram 3.



The main decision-making fora for the Force are the Executive Board, which meets monthly and the Chief Officer Meeting which meets weekly. Both are chaired by the Chief Constable. These meetings receive regular reports on operational performance and the financial position. The Force has a structure of meetings and boards to transaction business on specific issues. The Chief Constable also has a system of internal control through the approved policies and procedures. Whilst the behaviours of the workforce and culture of the force are shaped by the values set out above and the national Code of Ethics, these policies and procedures provide the clear expectation to staff on what the organisation’s expectations are.

The Chief Constable is required to formally review the governance arrangements annually, the results of which are contained in the Annual Governance Statement (AGS). The Chief Constable has a Joint AGS with the PCC, which is published alongside the Accounts. It provides a detailed explanation of both the PCC’s and Chief 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.

Section 3 – Achievements in 2022/23

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

- Through investment from the PCC, West Mercia Police delivered the additional 125 police officers and extended that target by employing an additional 19 officers to a total of 2,475 Full Time Equivalents (FTE) (2,494 headcount) in 2022/23, which takes the force to the highest establishment figure on record
- To ensure the outcome for victims is improved, with greater continuity and support, an additional 55 dedicated and specialist investigative officers were placed in local investigation teams
- Additional officers in the economic crime unit to protect against fraud, with a particular focus on vulnerability, tackling one of the fastest growing areas of crimes that has direct public impact
- In order to identify people with significant vulnerabilities at the earliest opportunity, a Safeguarding Advice Team is being introduced
- Working with partners to have a more effective, and long term, approach to crime. The Safer Communities project, in partnership with Telford and Wrekin Council, is an example of this, in which the PCC has invested £500,000 and delivered a wide range of community outcomes.
- Continued investment around digital transformation, such as the rollout of Office 365 across West Mercia Police to improve efficiency and ensure the force is fit for the digital age
- Ongoing investment in the police estate. Construction has commenced for a new Joint Police and Fire Station for Redditch. There was also approval of the business case and funding for a new fit-for-purpose firearms range/training facility, to ensure armed officers are trained in accordance with national training requirements and the police can call on these specialist resources when communities need them.
- Refreshed and renewed local policing community charter, delivering on key community concerns such as improving visibility and accessibility of Safer Neighbourhood Teams
- £365,000 has been allocated to provide an increase of staff within the West Mercia Police's Road Safety Team. A one-off allocation of £400,000 has also been made to deliver an effective approach to the prevention of excessive speed. It is proposed, subject to further development, that this will be used to deliver further average speed camera schemes across West Mercia's geography
- Increased, and improved channels for engagement between police and communities, such as Neighbourhood Matters. This platform has over 25,000 subscribers, enabling

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communities to receive information about local policing, crime prevention and obtain contact details for their Safer Neighbourhood Teams

- Further investment to tackle violence against women and girls from within policing, through West Mercia’s Professional Standards Department. The investment helps provide reassurance that all police officers and staff have the integrity, legitimacy and levels of conduct that the public expect from such a trusted role.

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.

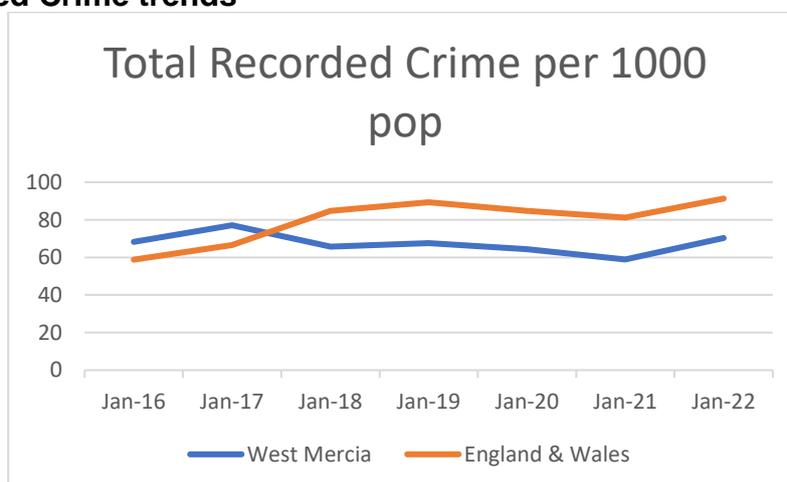
In complying with regulations issued in 2021 the Police and Crime Commissioner is required to provide a statement on the contribution of West Mercia Police to achieving improvements against the national policing priorities. This statement is published on the PCC’s website and subject to review in line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

The force produces several performance products to monitor performance with both the strategic quarterly and monthly performance products reviewed at the force’s performance monitoring board on a monthly basis. These products identify the current and emerging issues related to policing in West Mercia.

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.

Since 2016, recorded crime levels have been on a general upward trend nationwide. An 8% increase in recorded crime was seen at the end of 2021/22 when compared to 2016, albeit with reductions in crime during Covid, where significant reductions were seen. As can be seen in the table below, West Mercia, as a policing area, is not alone in the increase in total recorded crime and remains significantly below the national average.

Table 2 - Recorded Crime trends



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Whilst police recorded data has increased, estimates from the Crime Survey England and Wales (CSEW) show levels of crime continue to decrease nationally. A statistically significant decrease (8%) was seen for the 12 months ending June 2022, when compared with the year ending March 2022. Improvements in police data are likely as a result of more accurate crime recording, as well as improved awareness and confidence to report offences to the police. This creates a situation where crime can appear to be falling, but demand on policing through recorded offences continues to increase.

Volumes of recorded acquisitive crime, including robbery, vehicle offences, shoplifting and theft from the person, have increased when compared to the previous year which was distorted by the pandemic. Levels remain below those seen before the pandemic for all crimes except for business robbery. Both business and residential burglaries have seen increases this year but are still below levels seen before the pandemic.

Public order and violence against the person offences have seen the largest volume increases so far this year. These crimes were also key drivers behind an overall increase in crime when compared to pre-pandemic levels. However, it is likely that increases are in part driven by greater awareness and more accurate crime recording.

Violence against women and girls (VAWG) is a priority in both the Safer West Mercia Plan and for the Government. Around one in five recorded offences across West Mercia are classified as VAWG, with a substantial increase in offences seen after the pandemic. This is likely as a result of a number of high-profile national cases that has increased awareness and given victims more confidence to report. The force continues to focus resources and scrutiny to ensure victims receive a level of service they expect, and that appropriate support is in place to allow those affected to cope and recover.

When looking at the breakdown of crime year-to-month, the makeup of crime has changed when compared to the same period in 2016/17. Currently, there are less instances of some acquisitive crime (such as burglary, vehicles offences, shoplifting and theft from person) when compared to 2016/17. Whereas other crime types, such as homicide and violent offences, have increased. Improved crime recording against national standards will be a factor in the increase, but greater awareness and changing offending behaviour will also play a part.

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.

His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) carry out independent inspections of police forces. This provides valuable external oversight on the performance of West Mercia. These can range from individual function areas through to critical national issues and themes across the police services. HMICFRS also provide an interactive tool which allows users to compare data on recorded crimes and incidents, quality of services and resources for all police forces in England and Wales. During 2022/23 HMICFRS carried out the following reviews

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- Inspection visit to police custody suites in West Mercia Police
- Effectiveness of vetting and Counter- corruption arrangements in West Mercia Police

The full reports of the HMICFRS and the response from the PCC can be found on the PCCs website.

PEEL is the programme in which HMICFRS draws together evidence from its annual all-force inspections. The evidence is used to assess the effectiveness, efficiency and legitimacy of the police. 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		

During the year the force have been reviewing the recommendations set out in the report and have action plans in place with progress being monitored via the Service Improvement Board. The PCC has held a ‘Holding to Account’ session with the Chief Constable to obtain assurance that the Force response is appropriate. Regular reports have also been provided to the Joint Audit and Standards Committee on the Forces response to issues raised by the HMICFRS. It is not currently known when the next PEEL annual assessment will be reported.

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 Statement of Accounts includes income and expenditure that are measured and reported in accordance with proper accounting practice and conventions as set out, chiefly,

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in The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code). A reconciliation between the figures used to produce the outturn, explained in the following paragraphs and those contained in the Statement of Accounts is provided in Note 1.

During 2022/23 we, as a community, moved from a time when we were largely restricted due to a pandemic, but are now facing different restrictions as financial strain from cost-of-living pressure is placed on the public. This has impacted communities across the country, including West Mercia, and will influence the challenges policing faces in every conceivable way.

The Government is now facing the challenge of not only needing to address the debt gap, related to the response to COVID-19, but also dealing with the rising cost of inflation, which reached a 41-year high of 11.1%.

These cost pressures have already had an impact on current year budgets. The pay award of £1,900 to all officers and staff is equivalent to a 5% increase, which is significantly higher than the 2% which was budgeted. The force has had to manage the impact of these additional costs carefully through the year.

Table 3 - Funding Sources 2022/23

Where the Money Came From	Revised Budget £m
Central Government Funding	145.382
Locally Raised Funding – Precept (Council Tax)	115.401
Total Funding (excluding reserves)	260.783
Funding (from) / to Reserves	(0.774)
Total Funding (including reserves)	261.557

The original budget for the Chief Constable in 2022/23 as presented in the OPCC budget report January 2022 was £240.016m, further funding and agreement to utilise carry forward from prior year underspend enabled the operational budget to be increased to £243.834m. The budget is supported through the council tax precept charge on Council Tax Payers of £249.66 (Band D equivalent) which is an increase of 3.94% on the 2021/22 charge.

Table 4 provides an analysis of the West Mercia Police budget and the outturn based on the expenditure incurred:

Table 4 - The PCC and Chief Constable Outturn for year ended 31 March 2023

Business Function	Revised Budget	Actual Spend	Budget Variance
	£m	£m	£m
Crime & Vulnerability	42.535	42.884	(0.349)
Operations Support	42.710	39.205	3.505
Local Policing	95.192	95.779	(0.587)
Business Services	22.258	22.542	(0.284)
Commercial Services	27.292	25.781	1.511
Corporate Support	4.369	4.456	(0.087)

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Corporate Budgets	9.478	7.185	2.293
Directorate Total	243.834	237.832	6.002
PCC and YJS	17.723	16.094	1.629
Total	261.557	253.926	7.631

The Chief Constable’s revised operational budget for 2022/23 was £243.834m with net expenditure at 31st March of £237.823m. After a planned drawdown from the operational reserve this results in an overall underspend for the year of £6.002m.

The Outturn Report on the financial position in relation to the budget is showing relatively small underspends across all categories of expenditure. The highest being £2.479m underspend on the purchase of goods and services from external bodies. Considerable investment has been placed in information and communications technology (ICT) to improve the aging infrastructure. Slippage in the delivery timetable, compounded by staff vacancies reducing the ability to deliver all the planned work in year. There were also savings from the change and transformation programme. The majority of which is due to capitalisation of Project Manager costs related to specific projects has been higher than originally anticipated, reducing the burden on in year revenue costs.

There was also employee costs savings of £0.988m for police officers and £1,671m for police staff. This is due to a combination of factors around the profile of when additional officers were recruited, higher than estimated leavers in a year, less employees joining the pension scheme, length of time to undertake vetting of new starters and decisions around whether vacant posts needed to be recruited to given the known budget pressures. Pay awards have impacted the level of underspend reported, and overtime costs have been higher as a result offsetting some of the reported underspend.

Underspends have also been generated through reduced cost of borrowing as the capital programme has been lower than estimated, reducing the need to pay interest and make provision for repayment. Also delays in the delivery of a number of commissioned activities with providers, through third party payments, has reduced expenditure in year. Requests for funding to be rolled forward for several schemes have been made.

West Mercia Reserves Position

The Chief only holds unusable reserves to match the value of the Accumulated absences adjustment account and the Pension Liability. Unusable reserves are discussed under note 8.

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 £1,945m (PCC element of (£0.025m)). However, in considering the impact that this has on the financial position of the Chief Constable 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

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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 20, and information about the Police Pensions Fund Account can be found on page 61.

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, yet 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 Brexit, COVID-19 cost pressures, global & national economic issues compounded with geo-political events. The impact of inflation on West Mercia, particularly with energy costs and pay increase has been significant in 2022/23, and is expected to continue through 2023/24.

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 2022/23, the Change and Transformation Board, attended by Chief Officers, programme managers and representatives from across the Force and PCC, met 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.

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The Estates Service has continued to develop through 2022/23 as the second year of being provided as an in house service. Significant work has been undertaken to tender the principal contracts held for providing facilities management services. This has resulted in a full review of what service levels are required and tendering for that service through a clear procurement process. There is evidence that the estate needs a significant amount of investment, and a full condition survey has been completed. This provides the base data to plan how to effectively manage the estate going forward. The PCC has set the challenge that he wants to see the estates service deliver savings, reducing the cost of the estate. Identifying how it can be run effectively and that we have an estate which meets the current and future needs for Policing in West Mercia. Part of this is the delivery of a new Police Station in Redditch, replacing a current asset which is no longer fit for purpose. Construction began in Q4 of 2022/23.

Section 7 - The Medium Term Financial Plan

As part of setting an annual budget, the Chief Constable and PCC consider the financial implications of plans and strategies over the medium term.

In setting the 2023/24 budget the Chief Constable and the PCC have had regard to a wide range of factors including:

- Priorities within the Safer West Mercia Plan and the force objectives;
- 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 2023/24 net revenue budget of £277.068m.

The PCC continues to set a balanced budget for the Force, with reserves focused on being used on non-recurring expenditure, however he has recognised that the use of reserves to support the budget in 2023/24 is important to allow the force the time to plan and take effective decisions to ensure that it is delivering services within the resources available. Cost pressures from increased price and pay inflation, and the ongoing costs of transforming and modernising policing has had to be balanced against delivery of an effective policing service to the public.

The uncertainty in the economy makes planning over the medium term challenging. 2023/24 is the second year of a 3 year financial settlement announced by the government. Currently there is no commitment made on future funding levels beyond 2024/25. The 2023/24 Budget report sets out the assumptions regarding funding and cost changes. This has highlighted that 2024/25 will also be a challenging year, as further savings and efficiencies will be required to be able to operate within the financial resources available. Planning for the 2024/25 budget has already begun to provide the maximum opportunity to respond to this challenge and ensure that the services provided are focused on delivering the outcomes as set out in the Safer West Mercia Plan.

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 3 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.

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 Chief Constable and the responsible Chief Finance Officer for the preparation of the Accounts;

Statement of Accounting Policies

- **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 8. 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 2023 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 Chief Constable Accounts should be read alongside the Police and Crime Commissioner's Accounts, which can be found on the PCC's website.

Statement of Accounting Policies

i. General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2022/23 financial year and its position at the year-end. The accounting policies are the specific principles, bases, conventions, rules and practices applied by the Chief Constable when preparing and presenting the financial statements. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The principal accounting policies have been applied consistently throughout the year. The Statement of Accounts have been prepared on the basis that the Force is a going concern.

ii. Changes in Accounting Policies

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions in the Chief Constable's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. No changes have been made to the Chief Constable's accounting policies in 2022/23.

iii. Income and Cost Recognition and Intra-group Adjustment

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

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

Statement of Accounting Policies

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

iv. Accruals of Income and Expenditure

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

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by police officers, police staff and PCSOs) are recorded as expenditure when the services are received rather than when payments are made;
- Manual accruals of expenditure are not made where the value of the item is less than £1,000.

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

v. Cash and Cash Equivalents

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

Statement of Accounting Policies

vii. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

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

Post-Employment Benefits

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

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

Both schemes provide index-linked defined benefits to members (retirement lump sums and pensions) and are determined by the individuals' pensionable pay and pensionable service.

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

Statement of Accounting Policies

- the liabilities of the pension fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of anticipated earnings for current employees.
- International Accounting Standard (IAS) 19 requires the nominal discount rate to be set by reference to market yields on high quality corporate bonds or where there is no deep market in such bonds then by reference to government bonds.
- 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 2023.
- The discount rates used by the actuaries and other principal assumptions are set out in Note 20.
- The assets of the LGPS fund attributable to the Chief Constable are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value

The change in the net pension's liability is analysed into the following components:

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

Statement of Accounting Policies

- **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the pension fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

A difference between the two schemes is that the PPS is an unfunded, defined benefit, career average salary scheme, whereas the LGPS is a funded, defined benefit, career average scheme. With effect from 1 April 2014, the LGPS became a career average (CARE) rather than final salary scheme. The PPS became a career average scheme from the introduction of the 2015 scheme, however officers currently retiring have the option to take their benefits under the 1987 or 2006 scheme, which were final salary schemes, due to the judgement in the McCloud case. The 1987 and 2006 schemes were closed as at the 31st March 2023 and all new officers will be enrolled in the 2015 scheme.

As the PPS is unfunded there are no investment assets built up to meet the pensions’ liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. This is further explained in the notes to the Police Pension Fund Account on page 61.

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

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

viii. Inventories and Long-Term Contracts

Statement of Accounting Policies

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.

ix. Jointly Controlled Operations and Jointly Controlled Assets

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

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

x. Leases

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

xi. Segmental Analysis

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

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

xii. Prior Year Adjustments

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes are applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

xiii. Provisions, Contingent Liabilities and Contingent Assets

Statement of Accounting Policies

Provisions are made where an event has taken place that gives the Chief Constable a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Chief Constable may be involved in a court case that could eventually result in the making of a settlement of the payment of compensation.

Provisions are charged as an expense to the Cost of Services in the CIES in the year that the Group becomes aware of the obligation, and are measured at the best estimate as at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

A contingent liability or a contingent asset arises where an event has taken place that gives the Chief Constable a possible obligation or asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Chief Constable. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in Note 17 to the Accounts.

xiv. Reserves

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

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

xv. Value Added Tax

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

Statement of Responsibilities

Responsibilities of the Chief Constable of West Mercia Police

The Chief Constable is required to:

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

I accept the above responsibilities and approve these Statement of Accounts for 2022/23.

Pippa Mills
The Chief Constable of West Mercia Police

Date:

Responsibilities of the Director of Commercial Services

The Director of Commercial Services is responsible for the preparation of the Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23(the Code).

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

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Director of Commercial Services has also:

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

The unaudited Statement of Accounts for the Chief Constable of West Mercia Police were issued on 8th June 2023 by authority of the Director of Commercial Services.

I certify that the Statement of Accounts represents a true and fair view of the financial position of the Chief Constable of West Mercia Police at the accounting date and of the income and expenditure for the year ended 31 March 2023.

Richard Muirhead
Director of Commercial Services

Date:

Independent auditor's report to the Chief Constable of West Mercia

Report on the Audit of the Financial Statements

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

Comprehensive Income and Expenditure Statement (CIES)

This Statement recognises the financial resources belonging to the PCC consumed at the request of the Chief Constable in exercising day to day direction and control of the police force for the financial year, presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The CIES includes the intra-group transfer, whereby the PCC provides resources to meet the cost of day to day policing provided by the Chief Constable.

2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure		Notes	2022/23 Gross Expenditure	2022/23 Gross Income	2022/23 Net Expenditure
£000	£000	£000			£000	£000	£000
300,973	0	300,973	Policing Services		298,368	0	298,368
	0		Cost of Policing Services	1			298,368
(255,970)	0	(255,970)	PCC's funding for Resources Consumed	9	(268,680)	0	(268,680)
45,003	0	45,003	Net Cost of Policing Services				29,688
		57,785	Financing and investment net expenditure (Note 20)				76,616
		(37,385)	Home Office Grant Towards the Cost of Retirement				(38,740)
		65,403	Deficit on Provision of Services				67,564
		(55,606)	Re-measurement of the net defined benefit liability (Notes 5 and 20)				(1,019,567)
		(55,606)	Other Comprehensive (Income) & Expenditure				(1,019,567)
		9,797	Total Comprehensive (Income) & Expenditure				(952,003)

Movement in Reserves Statement (MIRS)

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

	Notes	Police Fund Balance	Unusable Reserves	Total Chief Constable Reserves
		£000	£000	£000
Opening Balance at 1 April 2021		0	(2,892,635)	(2,892,635)
Movement in reserves during 2021/22				
Total Comprehensive Income and Expenditure	20	(63,403)	55,606	(9,797)
Adjustments between accounting basis and funding basis under regulations	7	65,403	(65,403)	0
Net Increase before transfers to Earmarked Reserves		0	(9,797)	(9,797)
Transfers to/from Earmarked Reserves		0	0	0
Increase/(Decrease) in Year		0	(9,797)	(9,797)
Balance at 31 March 2022 Carried Forward		0	(2,902,432)	(2,902,432)
Movement in reserves during 2022/23				
Total Comprehensive Income and Expenditure	20	(67,564)	1,019,567	952,003
Adjustments between accounting basis and funding basis under regulations	7	67,564	(67,564)	0
Net Increase before transfers to Earmarked Reserves		0	952,003	952,003
Transfers to/from Earmarked Reserves		0	0	0
Increase/(Decrease) in Year		0	952,003	952,003
Balance at 31 March 2023 Carried Forward				(1,950,429)

Balance Sheet

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

31 March 2022		Notes	31 March 2023
£000			
0	Long Term Assets		
9,784	Short Term Debtors and other current assets	15	21,621
1,040	Intra-Group Debtor	9	0
10,824	Current Assets		21,621
(16,597)	Short Term Creditors	16	(17,234)
0	Provisions	17	(1,209)
0	Intra-Group Creditor	9	(8,203)
(16,597)	Current Liabilities		(26,786)
(2,896,659)	Liability Relating to Defined Benefit Pension Schemes	20	(1,945,265)
(2,896,659)	Long Term Liabilities		(1,945,265)
(2,902,432)	Net Liabilities		(1,950,429)
(2,902,432)	Unusable Reserves	8	1,950,429
(2,902,432)	Total Reserves		1,950,429

The unaudited Statement of Accounts were issued on 8th June 2023.

Director of Commercial Services of West Mercia Police

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. The statement shows how the Chief Constable generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Chief Constable are funded by the PCC.

2021/22		Notes	2022/23
£000			£000
65,403	Net deficit on the provision of services		67,564
(65,403)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	19	(67,564)
0	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		0
0	Net cash flows from Operating Activities		0
0	Investing Activities		0
0	Financing Activities		0
0	Net increase or decrease in cash and cash equivalents		0
0	Cash and cash equivalents at the beginning of the reporting period		0
0	Cash and cash equivalents at the end of the reporting period		0

Notes to the Financial Statements

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

1. Expenditure and Funding Analysis (EFA)

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

	2022/23 Net Expenditure Chargeable to the Police Fund Balances £000	2022/23 Adjustments between the Funding and Accounting Basis £000	2022/23 Net Expenditure in the CIES £000
Policing Services	265,743	32,625	298,368
Net Cost of Policing Services	265,743	32,625	298,368
Funding from the PCC	(265,743)	(2,937)	(268,680)
Other income and expenditure	0	37,876	37,876
(Surplus) or deficit on provision of Services	0	67,564	67,564

Opening Police Fund at 31 March 2022	0
Less Deficit on Police Fund in Year	0
Closing Police Fund at 31 March 2023	0

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

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

Notes to the Financial Statements

1(a) Note to the EFA

Adjustments between Funding and Accounting Basis

2022/23					
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	2,538	30,296	(905)	696	32,625
<i>Net Cost of Services</i>	2,538	30,296	(905)	696	32,625
Funding from the PCC	(2,538)	0	905	(1,305)	(2,937)
Other income and expenditure from the Funding Analysis	0	37,876	0	0	37,876
Difference between Police Fund surplus or deficit and CIES surplus or deficit	0	68,172	0	(609)	67,564

2021/22					
Adjustments from Police Fund to arrive at the CIES amounts	Adjustments for Capital Purposes (note i)	Restated Net Change for the Pensions Adjustments (note ii)	Financing and Investment Adjustments (note iii)	Other Adjustments (note iv)	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	45	45,018	(792)	1,507	45,778
<i>Net Cost of Services</i>	45	45,018	(792)	1,507	45,778
Funding from the PCC	(45)	0	792	(1,522)	(775)
Other income and expenditure from the Funding Analysis	0	20,400	0	0	20,400
Difference between Police Fund surplus or deficit and CIES surplus or deficit	0	65,418	0	(15)	65,403

Note (i) Adjustments for Capital Purposes

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

Note (ii) Net Change for Pensions Adjustments

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

Notes to the Financial Statements

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

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

Note (iv) Other Adjustments – this column reflects timing differences relating to accruing for compensated absences earned but not taken in the year (absorbed by the Accumulated Absences Account). Also included is £1.305m (£1.522m in 2021/22) in respect of the training costs funded by the government from the Apprenticeship Levy.

1(b) Expenditure and Income Analysed by Nature

2021/22 £000		2022/23 £000
128,821	Police officers pay	135,603
72,073	Police staff pay	76,817
3,202	Police pensions	3,574
3,329	Other Employee Expenses	3,402
83,399	Pensions current cost of service	70,537
(39,181)	Cost of pensions based on cash flows	(40,571)
(16)	Accumulated absences	(609)
801	Non distributed costs	330
40,532	Other service expenditure	40,880
6,768	Depreciation, Amortisation, Revaluation Loss and REFCUS (see glossary)	8,368
1,245	Capital Charges from the PCC to the Chief Constable – net	37
57,785	Net interest on the net defined benefit liability	76,616
358,758	Total Expenditure	374,984
(255,970)	Funding from the PCC for financial resources consumed	(268,680)
(37,385)	Government grants and contributions	(38,740)
0	Capital Charges from the PCC to the Chief Constable – net	0
(293,355)	Total Income	(307,420)
65,403	Deficit on the Provision of services	67,564

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

The Code requires the Chief Constable to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The annual IFRS improvement programme notes four changed standards:

Notes to the Financial Statements

- IFRS 16 (Leases) – remove (for lessees) the traditional distinction between finance leases and operating leases
- IAS 8 – Definition of Accounting Estimates
- IAS 1 – Disclosure of Accounting Policies
- IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

None of the above are expected to have a material impact on the Accounts of the Chief Constable.

The implementation of IFRS 16 – Leases for Public Sector Accounts has again been deferred, until 1 April 2024, and it is currently not possible to provide an estimate of the impact this may have. Both the 2022/23 and the 2023/24 Codes do allow for early adoption of IFRS 16 should an authority consider that it is able to do so as of 1 April 2022 or 2023, but there are currently no plans for West Mercia to do this.

3. Critical judgements in applying accounting policies

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

PCC and Chief Constable group relationship

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

The allocation of transactions and balances between the PCC and the CC affects the values reported in the two entities' Accounts. The allocation of transactions and balances is a judgement in light of the legislation, accounting standards and the substance of the local arrangements that are in place rather than the legal form underpinning the arrangements.

The approach taken to the accounts is that:

- Revenue expenditure directly relating to those budgets delegated to the CC for the provision of policing services is predominantly included within their Accounts;
- The CC's accounts have been charged with the expense associated with IAS19 pensions and accumulated staff absences as well as the 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;

Notes to the Financial Statements

- 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 and 2022/23. The agreement in respect of ICT services continued as a shared service until October 2021 and then a hosted service arrangement until June 2022. As at 31st March 2023, File Storage is the only service provided to Warwickshire Police. Further information can be found in Note 10 to the Accounts.

Post-employment benefits (pension liability)

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

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

West Mercia Police's share of PPL's Local Government Pension Scheme assets and liabilities were previously incorporated into the Accounts and shown separately in the tables in Note 20. 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 in the tables in Note 20. Although the new Estates team are part of the Office of the Police and Crime Commissioner and their associated current pension's costs are shown in the PCC's Accounts, as the PPL pensions' assets and liabilities relate to legacy benefits, a judgement has been made to include these in the Chief Constable's Accounts.

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

As explained in the Accounting Policies, income and expenditure is categorised into one segment: Policing Services, as this is how the organisation monitors and manages its financial

Notes to the Financial Statements

performance. Support service costs are reported as part of the services where they are monitored and managed.

The Net Cost of Policing Services has decreased by £15.3m compared to 2021/22, mainly due to fluctuations between years relating to the valuations of pensions costs, as well as reflecting the increased government funding for the recruitment of additional police officers, as explained in the Narrative Statement.

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

The Accounts contain estimated figures that are based on judgements and assumptions made by the Chief Constable about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from those that have been estimated. The items in the Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Post-Employment Benefits (Pension Liability)

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

Employee benefits

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

Provisions

The Chief Constable held one provision as at 31 March 2023. A new Legal provision was created during 2022/23 for a value of £1.209m. All provisions held at the start of 2021/22 were used during 2021/22.

The force has assessed all known Insurance and Legal claims and has identified a provision based on likelihood of success defending these claims and possible payment required. This review has been undertaken by the Head of Legal Services using their professional judgement in conjunction with the Director of Commercial Services and Treasurer to the PCC.

Further information regarding Provisions can be found in Note 17.

5. Material items of income and expenditure

Notes to the Financial Statements

The re-measurement of the net defined benefit liability in the Other Comprehensive Income and Expenditure section of the CIES is a gain of £1,020m, compared to a gain of £55.6m in 2021/22. The change is due to 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 decreased by £951.4m to £1,945.3m at 31 March 2023. Further information regarding the Pensions Liabilities can be found in Note 20.

6. Events after the Reporting Period

The unaudited Statement of Accounts were issued by the Director of Commercial Services on 8th 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 Chief Constable in the year in accordance with proper accounting practice to resources that are specified by statutory provisions as being available to the Chief Constable to meet future capital and revenue expenditure.

2022/23	Police Fund Balance
	£000
Adjustments to the Revenue Resources	
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>	
Pensions Costs (transferred to or from Pensions Reserve)	(68,173)
Accumulated Absences (transferred to the Accumulated Absences Reserve)	609
Total Adjustments	(67,564)

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

8. Unusable reserves

Notes to the Financial Statements

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

31 March 2022 £000		31 March 2023 £000
2,896,659	Pension Reserve	1,945,265
5,773	Accumulated Absences Reserve	5,164
2,902,432	Total Unusable Reserves	1,950,429

(i) Pensions Reserve

Payments for the cost of post employment benefits and the associated liability are shown in the Chief Constable's Accounts. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable Accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Chief Constable makes employers contributions to pension funds or eventually pays any pensions for which she is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Chief Constable has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are due to be paid and that the PCC can continue to meet the liability in the Chief Constable's Accounts, which is made up as follows:

2021/22 £000		2022/23 £000
2,886,847	Balance as at 1 April	2,896,659
(55,606)	Re-measurement of the net defined benefit liability	(1,019,567)
141,985	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	147,483
(76,567)	Employer's pensions contributions and direct payments to pensioners payable in the year	(79,310)
2,896,659	Balance as at 31 March	1,945,265

(ii) Accumulated Absences Account

The cost of employment benefits and the associated Accumulated Absences liability is shown in the Chief Constable's Accounts. The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. time off in lieu carried forward at 31 March 2023. Statutory arrangements require that the impact on the Police Fund Balance is neutralised by transfers to or from the Account.

2021/22		2022/23
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Notes to the Financial Statements

£000	£000		£000	£000
	5,788	Balance as at 1 April		5,773
(5,788)		Cancellation of accrual made at the end of the preceding year	(5,773)	
5,773		Amount accrued at the end of the current year	5,164	
	(15)	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		(609)
	5,773	Balance as at 31 March		5,164

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

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

The Intra-Group funding arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the PCC and Chief Constable. The guarantee from the PCC in respect of the resources consumed by the Chief Constable in 2022/23 amounts to £268.8m (£256.0m in 2021/22). This is included within the Net Cost of Policing Services in the CIES, in line with current best practice for the preparation of Police Accounts.

The Chief Constable's Balance Sheet includes an Intra-Group Creditor of £8.203m (Debtor of £1.04m in 2021/22) 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 difference is largely due to the Pension Payment for April (£5m) being paid in March and a debtor being raised.

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

2021/22 £000		2022/23
300,973	Chief Constable's Cost of Services	298,368
57,785	Interest on the net defined benefit liability	76,616
(37,385)	Home Office grant towards the cost of retirement	(38,740)
(55,606)	Re-measurement of the net defined benefit liability	(1,019,567)
265,767	Resources consumed	(683,323)
	Items removed through the MIRS	
(9,812)	Movement in pensions liability	951,394
15	Movement in accumulated absences liability	609
255,970	Total resources consumed for the year by the Chief Constable and funded by the PCC	268,680

Notes to the Financial Statements**10. Pooled budgets and joint operations****Hosted and Shared Services with Warwickshire Police during 2021/22 and 2022/23**

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 2021/22 and 2022/23. 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 2023 amounting to £0.004m. File storage continued to be hosted for the whole of 2022/23 and generated income of £0.059m

Following the cessation of the ICT Shared service arrangement in October 2021, a hosted arrangement was in place until June 2022. Income relating to the period April 2022 to June 2022 amounted to £0.570m.

During 2021/22 income from Warwickshire for hosted and shared Services amounted to £1.212m. Total income received from Warwickshire Police in 2022/23 amounted to £0.633m.

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:

2021/22 restated with final figures from West Mids		2022/23
£000		£000
(14,500)	Contribution from West Midlands Police	(16,284)
(3,970)	Contribution from West Mercia Police	(4,683)
(3,857)	Contribution from Staffordshire Police	(4,549)
(1,928)	Contribution from Warwickshire Police	(2,274)
(2,399)	WMROCU Grant	(2,399)
(365)	National Cyber Security Programme funding	(280)
(224)	Regional Asset Recovery Team grant	(238)
(1,156)	ROCU Reserves	(26)

Notes to the Financial Statements

(1,096)	Undercover Online Operatives (UCOL) Funding	(1,096)
(122)	Threat Assessment Team (ROCTA) Funding	(122)
(155)	Disruption Team Funding	(72)
(250)	Dark Web Funding	(250)
(67)	Operational Security (OPSY) Income	(129)
0	Fraud Investigation	(164)
0	Illicit Cash Team	(442)
(30,089)	Total funding provided to the WMROCU	(33,008)
1,172	Regional Asset Recovery Team (RART)	1,415
237	RART – ACE team	244
827	Regional Cyber Crime Unit	696
389	Regional Fraud Team	292
1,211	Regional Prisons Intelligence Unit	1,301
71	Operational Security (OPSY)	91
62	Regional Government Agency Intelligence Network (GAIN)	45
1,400	Command Team	1,417
5,660	Regional Confidential Unit	6,596
93	Posts created from underspend	275
841	TIDU – Technical Intelligence	781
312	Enabling Services	417
4,780	Serious and Organised Crime Unit (SOCU)	5,791
7,710	Regional Surveillance Unit (FSU)	8,421
195	Threat Assessment Team (ROCTA)	283
160	Disruption Team	72
259	Dark Web	262
3,808	Other Regional Operations	4,167
0	Illicit Cash Team	442
902	Additional Contribution to Reserves	0
30,089	Total Expenditure	33,008
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 Chief Constable only accounts for the expense of payments to NPAS amounting to £0.738 in 2022/23, (£0.612m in 2021/22), 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 short term debtor of £0.014m, representing the discounted value of future expected cash flows in 2023/24. As 2023/24 is the final payment for the Helicopter asset, the remaining balance is shown as a short term debtor.

11. Exit Packages

Exit packages include charges by the LGPS in respect of benefits paid before normal retirement age. There were no compromise agreements covering the 2022/23 exit packages. The number of exit packages resulting from redundant posts with total cost per band is set out in the table:

Exit Package cost band (including special payments)	Number of Exit Packages		Total cost of Exit Packages in each band	
	2021/22	2022/23	2021/22 £000	2022/23 £000
£0 - £20,000	2	3	12	29
£20,001 - £40,000	0	0	0	0
£40,001 - £60,000	1	0	55	0
£60,001 - £80,000	2	0	152	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	0	0	0
£150,001 +	0	0	0	0
Total	5	3	219	29

12. Officers' Remuneration

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

Senior Officer and Relevant Police Officer Emoluments:

		Salary, Fees & Allowances	Bonuses	Expenses Allowances	Benefits in Kind (e.g. car allowance)	Other Payments (Police Officer only)	Exit Packages	Pension Contributions	Total
		£	£	£	£	£	£	£	£
Chief Constable – Pippa Mills – Note 1	2022/23	157,803	0	0	974	0	0	48,919	207,696
	2021/22	84,440	0	0	36,611	0	0	26,176	147,227
Chief Constable - Anthony Bangham – Note 1	2022/23	0	0	0	0	0	0	0	0
	2021/22	71,818	0	0	3,891	1,962	0	22,263	99,934
Deputy Chief Constable 1 – Note 2	2022/23	71,137	0	0	1,824	4,041	0	22,053	99,055
	2021/22	129,264	0	0	4,746	3,701	0	40,072	177,783
	2022/23	69,955	0	0	541	0	0	21,686	92,182

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Notes to the Financial Statements

Deputy Chief Constable 1 – Note 2	2021/22	0	0	0	0	0	0	0	0
Asst Chief Constable 1 – Note 3	2022/23	120,330	0	0	1,969	0	0	37,302	159,601
	2021/22	119,220	0	0	5,927	0	0	36,958	162,105
Asst Chief Constable 2 – Note 4	2022/23	0	0	0	0	0	0	0	0
	2021/22	5,630	0	0	0	202	0	1,745	7,577
Asst Chief Constable 3 – Note 5	2022/23	107,167	0	0	2,764	0	0	33,222	143,153
	2021/22	7,097	0	0	502	0	0	2,200	9,799
Asst Chief Constable 4 – Note 6	2022/23	0	0	0	0	0	0	0	0
	2021/22	106,972	0	1,239	0	0	0	28,442	136,653
Director of Business Services	2022/23	120,330	0	0	5,222	0	0	19,734	145,286
	2021/22	112,404	0	0	5,203	0	0	18,434	136,041
Director of Commercial Services	2022/23	105,007	0	0	118	0	0	17,221	122,346
	2021/22	99,811	0	0	0	0	0	16,369	116,180
Notes:									
1	The new Chief Constable's Benefits in Kind element in 2021/22 includes £34,758 relating to relocation expenses when she joined the organisation on 17th September 2021. Former Chief Constable left the organisation on 15th September 2021								
2	Deputy Chief Constable 1 left organisation on 18th October 2022 and Deputy Chief Constable 2 joined 19th September 2022.								
3	Commenced in post on 15 June 2020.								
4	Left the Force 17 April 2021.								
5	New ACC from 7/3/2022								
6	Temporary promotion to ACC finished on 28 February 2022.								

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

Number of Employees	Remuneration Band	Number of Employees
2021/22		2022/23
157	£50,000 - £54,999	221
116	£55,000 - £59,999	134
54	£60,000 - £64,999	73
12	£65,000 - £69,999	18
6	£70,000 - £74,999	11
6	£75,000 - £79,999	10
7	£80,000 - £84,999	4
2	£85,000 - £89,999	5
1	£90,000 - £94,999	4

Notes to the Financial Statements

2	£95,000 - £99,999	1
0	£100,000 - £104,999	0
2	£105,000 - £109,999	2
0	£110,000 - £114,999	1
1	£115,000 - £119,999	0
1	£120,000 - £124,999	2
1	£125,000 - £129,999	0
1	£135,000 - £139,999	0
0	£155,000 - £159,999	1
369	Total	487

13. External Audit Costs

The Chief Constable Audit Fee for 2022/23 is £17,732 (£15,223 in 2021/22) in relation to the Statement of Accounts statutory audit provided by the Group's external auditors, Grant Thornton. The total Audit fee for the Group is £48,319 (£64,122 in 2021/22).

The actual amount charged to the CIES amount to £24,367 for the Chief Constable. This figure includes an allowance for the audit fees charged by Grant Thornton for additional work on the 2021/22 Accounts, over and above that accrued in 2021/22, and for additional work on the 2022/23 Accounts.

Grant Thornton provided no non-audit services during the year (nil in 2021/22).

14. Related Parties

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

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

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

The PCC and Chief Constable participate in various partnerships with a range of public bodies, previously the most significant of which was the strategic alliance under a Section 22 Agreement with Warwickshire Police, which ceased on 31 March 2020. As set out in Note 10, two S22a

Notes to the Financial Statements

Collaborative Agreements were agreed between the two Forces for four services that continued to be provided to or shared with Warwickshire during 2021/22 and part of 2022/23, resulting in income to West Mercia amounting to £0.633m (2021/22: £4.1m).

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

	Expenditure	Income
	£000	£000
Local Authorities in the Policing Area	6,771	(839)
Other Local Authorities	137	0
Seconded Police Officers	817	(817)
Other Police Forces	2,961	(4,119)
Total	10,686	(5,775)

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

15. Debtors and other current assets

This note shows money owed to the Chief Constable for funding and services provided on or before 31 March 2023 where the money has not been received by this date. Inventories amounting to £0.785m (£0.671m in 2021/22) are now shown as part of prepayments.

31 March 2022 £000		31 March 2023 £000
671	Prepayments	5,685
9,113	Other Receivables (mainly balance of Police Pensions Top-up Grant)	15,986
9,784	Total Debtors	21,622

The reason for the increase is a £5m pension payment made on 31st March 2023 which related to April 2023. A payment in advance adjustment has been made to move the costs to the correct year which is included in the value of prepayments above.

16. Creditors

This note shows money owed by the Chief Constable for goods and services purchased and received on or before 31 March 2023 where the money has not been paid by this date.

31 March 2022 £000		31 March 2023 £000
(97)	Trade Payables	(96)
(16,500)	Other Payables (including Tax, NI and Pension contributions payable and Accumulated Absences)	(17,278)
(16,597)	Total Creditors	(17,324)

Notes to the Financial Statements**17. Provisions****Termination Benefits**

This provision was fully used in 2021/22 and no provision for termination benefits is required for 2022/23.

	Termination Benefits
	£000
Balance at 1 April 2022	0
Additional provisions made in 2022/23	0
Amounts used in 2022/23	0
Balance at 31 March 2023 for the CC	0

Legal Provision

A legal provision was created during 2022/23 to provide for the settlement of ten legal cases which are currently in progress. The cases have been assessed and meet the criteria for provision, being that a past action has given rise to a requirement to pay an uncertain amount of funds at a future date in time. A best assessment of the likely costs associated has been calculated as the basis for the provision.

	Legal Provision
	£000
Balance at 1 April 2022	0
Additional provisions made in 2022/23	1,209
Amounts used in 2022/23	0
Balance at 31 March 2023 for the CC	1,209

No other provisions were charged to the CIES in 2022/23 in respect of events or decisions which are likely to give rise to payments in the future.

18. Proceeds of Crime

The Act gives powers to the Police and Customs to seize cash derived from, or intended for use in crime, and to secure its forfeiture in civil magistrates' court proceedings. The PCC is currently holding cash totalling £1.502m.

19. Cash Flow Statement – Operating Activities

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

Notes to the Financial Statements

2021/22 £000		2022/23 £000
(1,613)	(Increase)/decrease in revenue creditors	(778)
2,539	Increase/(decrease) in revenue debtors and inventories	11,839
(1,272)	Movement in Intra-Group Funding	(9,243)
(65,418)	Movement in pension liability	(68,173)
361	Movement in provisions	(1,209)
(65,403)	Total – Group and PCC	(67,564)

20. Defined Benefit Pension Schemes

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

Participation in Pension Schemes

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

The Chief Constable participates in two defined benefit pension schemes:

- the Local Government Pension Scheme (LGPS), for police staff and PCSOs, administered locally by Worcestershire County Council. This is a funded, defined benefit scheme, meaning that the Chief Constable and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. With effect from 1 April 2014, the LGPS became a career average (CARE) scheme rather than a final salary scheme.
- the Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) and the Police Pension Scheme 2015 (PPS) are administered by XPS Administration. These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual pensions payments as they eventually fall due. The disclosures for the various Police Pension Schemes, including the Injury Awards Scheme, are consolidated in the notes below, as the rules of the schemes are not materially different. The income and expenditure incurred by the police pension schemes and how they are funded is summarised in the section covering the Police Pensions Fund Account.

The pension schemes above provide members with indexed-linked benefits, which are determined predominantly by the individual's pensionable salary and length of service. As part of the government's pension reforms, these schemes are undergoing significant changes in how they are funded and the benefits they offer. However, the purpose of this note is to explain the financial impact, in accordance with the Code, of the pension schemes on the Accounts. Details of how the police pension schemes operate can be found on the Home Office website and details of how the LGPS operates can be found on the Worcestershire County Council website.

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

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

Legal Cases

The Chief Constable, along with other Chief Constables and the Home Office, had a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015.

Aarons & Ors

Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims have been stayed until the remedy is brought into force from 1 October 2023. The settlement of the injury to feelings claims for Aarons sets a helpful precedent.

Therefore no liability in respect of compensation claims is recognised in these accounts.

Penningtons

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.

Remedy

The Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022) legislates for how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members.

The main elements of the Act are:

- Changes implemented across all the main public service pension schemes in response to the Court of Appeal judgment in the McCloud and Sargeant cases:
- Eligible members of the main unfunded pension schemes have a choice of the benefits they wish to take for the “remedy period” of April 2015 to 31 March 2022.
- From 1 April 2022, when the remedy period ends, all those in service in main unfunded schemes will be members of the reformed pension schemes, ensuring equal treatment from that point on.
- Ensures there are no reductions to member benefits as a result of the 2016 cost control valuations.

Impact on pension liability

The McCloud remedy window ran from 1 April 2015 to 31 March 2022. Eligible members will be able to elect which scheme they wish to receive benefits from for this period. Due to the differing benefits structures we expect the majority of eligible police members to elect to take legacy scheme (1987 Scheme or 2006 Scheme) benefits for the remedy period.

An allowance for McCloud remedy was first included in the 2018/19 disclosures as a past service cost for four years remedy service from 2015-2019. This past service cost was attributed

Notes to the Financial Statements

proportionally to the 1987 and 2006 schemes. For subsequent years to 2021/22 an allowance was made in the 2015 service costs for the annual accrual of additional remedy service.

Now that the remedy window is closed we have moved all McCloud related liabilities for eligible members for the period 2019 to 2022 to the associated legacy schemes. This means all McCloud liability are held within the legacy scheme we expect benefits to be paid from. This has led to a past service cost of £34m added to the 1987 Scheme and a past service cost of £3m in the 2006 Scheme. As these liabilities are no longer held within the 2015 Scheme we have a past service gain of £38m.

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

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

Transactions relating to post-employment benefits

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

2022/23	LGPS £000	Police Pension Schemes £000	Total £000
CIES			
Cost of Services:			
- current service costs	22,417	48,120	70,537
- past service costs and gain/loss from settlements	0	330	330
Financing and Investment Income and Expenditure			
- net interest expense	5,396	71,220	76,616
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	27,813	119,670	147,483
Other Post-Employment Benefits charged to the CIES			

Notes to the Financial Statements

Re-measurement of the net defined benefit liability and return on plan assets	(214,669)	(804,898)	(1,019,567)
Total Post Employment Benefit charged to the CIES	(186,856)	(685,228)	(872,084)
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.	(27,813)	(119,670)	(147,483)
Actual amount charged against the Police Fund Balance for pensions in the year			
- employers' contributions payable to the scheme	11,488	64,872	76,360
- benefits paid direct to beneficiaries	0	2,950	2,950

2021/22	LGPS £000	Police Pension Schemes £000	Total £000
CIES			
Cost of Services:			
- current service costs	20,999	62,400	83,399
- past service costs and gain/loss from settlements	401	400	801
Financing and Investment Income and Expenditure			
- net interest expense	4,325	53,460	57,785
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	25,725	116,260	141,985
Other Post-Employment Benefits charged to the CIES			
Re-measurement of the net defined benefit liability and return on plan assets	(27,604)	(28,002)	(55,606)
Total Post Employment Benefit charged to the CIES	(1,879)	88,258	86,379
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)	(116,260)	(141,985)
Actual amount charged against the Police Fund Balance for pensions in the year			
- employers' contributions payable to the scheme	10,998	62,778	73,776
- benefits paid direct to beneficiaries	0	2,790	2,790

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

Notes to the Financial Statements

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

2022/23	LGPS £000	Police Pension Schemes £000	Total £000
Present value of the defined benefit obligation	(371,826)	(1,944,031)	(2,315,857)
Fair value of plan assets	370,592	0	370,592
Net liabilities arising from the defined benefit obligation	(1,234)	(1,944,031)	(1,945,265)

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

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

2022/23	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
Opening balance at 1 April	(562,250)	0	(2,697,081)	(3,259,331)
Current service cost	(22,417)	0	(48,120)	(70,537)
Interest cost	(15,653)	0	(71,220)	(86,873)
Contributions by scheme participants	(3,733)	0	(11,210)	(14,943)
Re-measurement of liabilities	222,080	0	805,380	1,027,460
Business Combinations	0	0	0	0
Benefits paid	10,147	0	78,550	88,697
Past service costs	0	0	(330)	(330)
Curtailments	0	0	0	0
Closing balance 31 March	(371,826)	0	(1,944,031)	(2,315,857)

Notes to the Financial Statements

2021/22	LGPS £000	LGPS (PPL ele- ment) £000	Police Pension Schemes £000	Total £000
Opening balance at 1 April	(531,264)	(15,343)	(2,674,391)	(3,220,998)
Current service cost	(20,999)	0	(62,400)	(83,399)
Interest cost	(11,447)	0	(53,460)	(64,907)
Contributions by scheme participants	(3,480)	0	(10,920)	(14,400)
Re-measurement of liabilities	13,982	0	28,610	42,592
Business Combinations (PPL - see note above)	(15,343)	15,343	0	0
Benefits paid	6,702	0	75,880	82,582
Past service costs	(3)	0	(400)	(403)
Curtailments	(398)	0	0	(398)
Closing balance 31 March	(562,250)	0	(2,697,081)	(3,259,331)

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

Reconciliation of fair value of the scheme assets (LGPS)	2021/22 £000	PPL element 2021/22 £000	Total 2021/22 £000	2022/23 £000	PPL element 2022/23 £000	Total 2022/23 £000
Opening balance at 1 April	318,809	15,343	334,152	362,672	0	362,672
Interest income	7,122	0	7,122	10,257	0	10,257
Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense	13,832	0	13,832	(7,186)	0	(7,186)
Administration expenses	(210)	0	(210)	(225)	0	(225)
Contributions by employer	10,998	0	10,998	11,488	0	11,488
Contributions from employees into the scheme	3,480	0	3,480	3,733	0	3,733
Business Combinations (PPL - see note above)	15,343	(15,343)	0	0	0	0
Benefits paid	(6,702)	0	(6,702)	(10,147)	0	(10,147)
Closing balance 31 March	362,672	0	362,672	350,592	0	370,592

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.

Notes to the Financial Statements

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The Police Pension Scheme has no assets to cover its liabilities.

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

The total contributions expected to be made to the LGPS by the Group in the year to 31 March 2024 is £11.5m. Expected contributions for the Police Pension Schemes by the Chief Constable in the year to 31 March 2024 are £29.5m.

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

The analysis of the re-measurement of the net defined benefit liabilities for 2022/23 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.

2022/23	LGPS £000	Police Pension Schemes £000	Total £000
Changes in financial assumptions	(256,265)	(917,698)	(1,173,963)
Changes in demographic assumptions	(9,042)	(40,550)	(49,592)
Re-measurement of assets	7,411	0	7,411
Experience gains and losses	43,227	153,350	196,577
Total re-measurement	(214,669)	(804,898)	(1,019,567)

2021/22	LGPS £000	Police Pension Schemes £000	Total £000
Changes in financial assumptions	(11,161)	(33,762)	(44,923)
Changes in demographic assumptions	(4,245)	0	(4,245)
Re-measurement of assets	(13,622)	0	(13,622)
Experience gains and losses	1,424	5,760	7,184
Total re-measurement	(27,604)	(28,002)	(55,606)

Notes to the Financial Statements

LGPS Assets

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

	Total 31 March 2022 £000	Split of Assets between Investment categories %	Total 31 March 2023 £000	Split of Assets between Investment categories %
Equities	287,062	79	267,694	72.2
Government Bonds	5,875	2	5,115	1.4
Other Bonds	5,113	1	4,452	1.2
Property	20,194	6	31,841	8.6
Alternatives–UK Infrastructure etc	44,428	12	56,022	15.1
Cash-Liquidity	0	0	5,468	1.5
Total Assets	362,672	100	370,592	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 2022, rolled forward to 31 March 2023. 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:

2021/22			2022/23	
LGPS	Police Pension Schemes		LGPS	Police Pension Schemes
		Mortality assumptions		
		Longevity at 65 for current pensioners:		
22.6 years	22.1 years	Men	22 years	21.9 years
25.0 years	23.8 years	Women	24.2 years	23.5 years
		Longevity at 65 for future pensioners:		
24.1 years	23.8 years	Men	23.3 years	23.5 years
27.0 years	25.4 years	Women	26.1 years	25 years
3.3%	3.0%	Rate of CPI inflation	2.7	2.6
4.8%	4.75%	Rate of increase in salaries (long-term)	4.2	3.9
n/a	n/a	Rate of increase in salaries (short-term)	n/a	n/a
3.4%	3.0%	Rate of increase in pensions	2.8	2.6
2.8%	2.65%	Rate for discounting scheme liabilities	4.8	4.7
3.3%	4.25%	CARE Revaluation rate	2.7	3.9
50%	100%	Take-up of option to convert annual pension into retirement lump sum	50%	100%

Notes to the Financial Statements

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

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

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in 1 year)	54,344	(54,344)
Rate of inflation (increase or decrease by 1%) – Police staff only	72,104	(72,104)
Rate of increase in salaries (increase or decrease by 1%)	45,824	(45,824)
Rate of increase in pensions (increase or decrease by 1%) – PPS only	292,000	(292,000)
Rate for discounting scheme liabilities (increase or decrease by 1%)	(359,840)	359,840

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.

2021/22			2022/23	
£000	£000		£000	£000
		Contributions Receivable		
		From employer		
(25,409)		- Normal at 31% of pensionable pay	(26,145)	
(410)		- Ill Health Capital Sum Income	(601)	
(10,926)		From members (serving police officers)	(11,216)	
	(36,745)			(37,962)
	(450)	Individual Transfers In from other schemes		(365)
		Benefits Payable		
57,806		Pensions	61,279	
16,695		Commutations and Lump Sum retirement benefits	15,708	
0		Lump sum death benefits		
	74,501			76,988
		Payments to and on account of leavers		
79		Refunds of contributions	79	
0		Individual transfers out to other schemes	0	
	79			79
	37,385	Sub-total for the year before transfer from the Group of amount equal to the deficit		38,740
	(37,385)	Additional funding payable by the Group to meet deficit for the year		(38,740)
	0	Net Amount Payable / Receivable for the year		0

Notes to the Police Pension Fund Account

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

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

Glossary of Terms

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

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

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

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

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

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

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

Amortised Cost – The carrying amount of some financial assets and liabilities in the Balance Sheet will be written down or up via the Comprehensive Income and Expenditure Statement over the term of the instrument.

Appropriations – Amounts transferred to or from revenue or capital reserves.

Asset – An item owned by the PCC, which has a value, for example, land and buildings, vehicles, equipment and cash. These can be held over the long (non-current) or short (current) term.

Billing Authority – A local authority that, by statute, collects the council tax and manages the Collection Fund.

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

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

Glossary

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 King's peace. The Chief Constable is a Corporation Sole.

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

Defined Benefit Scheme – A pension scheme which defines the benefits paid to individuals independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

Depreciation – An annual charge to reflect the extent to which an asset has been worn or consumed during the financial year, which is charged to the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

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

Glossary

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 into which income is received into and expenditure is paid from.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

National Non-Domestic Rates (NNDR) – The national non-domestic rate in the pound is the same for all non-domestic rate payers and is set annually by the government. Income from non-domestic rates goes into a central government pool that is then distributed according to resident population.

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

Non-Current Assets (Fixed Assets) – 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.

Glossary

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

Glossary

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.

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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 Comprehensive Income and Expenditure Statement in accordance with IFRS as set out in the Code.

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

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

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

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