Pre-Audit version, signed by the Responsible Financial Officer. May be subject to change.

Statement of Accounts

2023/24

THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WEST MERCIA

STATEMENT OF ACCOUNTS 2023/24

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Narrative Report

Message From John Campion, the West Mercia Police & Crime Commissioner (PCC)

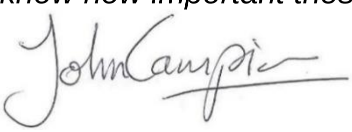
I am clear in my commitment to the communities of West Mercia that I will work hard to ensure that they are safe and feel safe, and the issues that are causing the most harm are tackled.

For the 2023/24 financial year I set a balanced budget, ensuring that West Mercia Police was living within its means, whilst delivering my priorities set out in my Safer West Mercia Plan. I approved a council tax increase of 5.94% which, along with an uplift in funding from the Government settlement, has allowed for an additional £13.6m of resources. The additional resources were used to continue to boost officer numbers by a further 40, taking West Mercia's establishment to 2,506 which is the highest establishment number on record in the force. These additional officers will be based at the heart of communities in new Neighbourhood Crime Fighting teams and as Community Safety Engagement Officers. These new officers will continue the focus on neighbourhood policing and addressing key community concerns. I will support the force in continuing to prioritise the greatest possible proportion of resource towards frontline policing and ultimately delivering the best for communities.

Over the last 12 months I have continued to hear loud and clear that visibility and accessibility of police officers is key, which has ultimately resulted in the investment of additional offices. However, there are also other priorities that the public have. I understand that road safety remains a concern, therefore additional investment in people and equipment to undertake more monitoring across the road network was made and I have approved a business case to expand the use of average speed cameras in West Mercia. I continue to be concerned about the ongoing threat of violence against women and girls, which has become ever more prevalent following the murder of Sarah Everard. The area of prevention has long been a focus of mine, as we look to a world where crime can be tackled at the root cause to prevent harm being caused.

The overall financial position for the year was a net underspend of £3.357m against a total budget of £280.271m. The underspends mainly relate to projects that are ongoing and will be funded in the following 12 months. However, there is some additional resources available to further invest in policing, particularly transformation and capital projects. Going forward I want to ensure that the investment decisions I make are being delivered and every penny is being utilised for the benefit of the public.

As we look to the coming year, and those after, I am committed to seeing improvements around the confidence in West Mercia Police, and the service the public receives. I want to see that the force delivers on its commitment to make officers more visible and accessible to communities. Resources are also being prioritised in the following financial year towards investigations and public contact, which from engaging with the communities of West Mercia, I know how important these particular areas are.

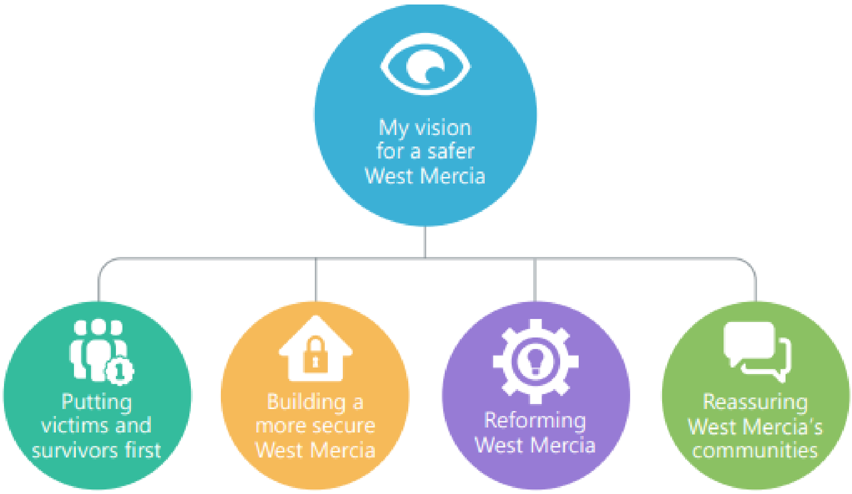


John Campion, West Mercia Police and Crime Commissioner

Section 1. Strategy

The primary function of the Police and Crime Commissioner (PCC) is to secure the maintenance of an efficient and effective police force and to hold the Chief Constable to account for the exercise of operational policing duties. The PCC sets out his strategic direction in the Police and Crime Plan.

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:

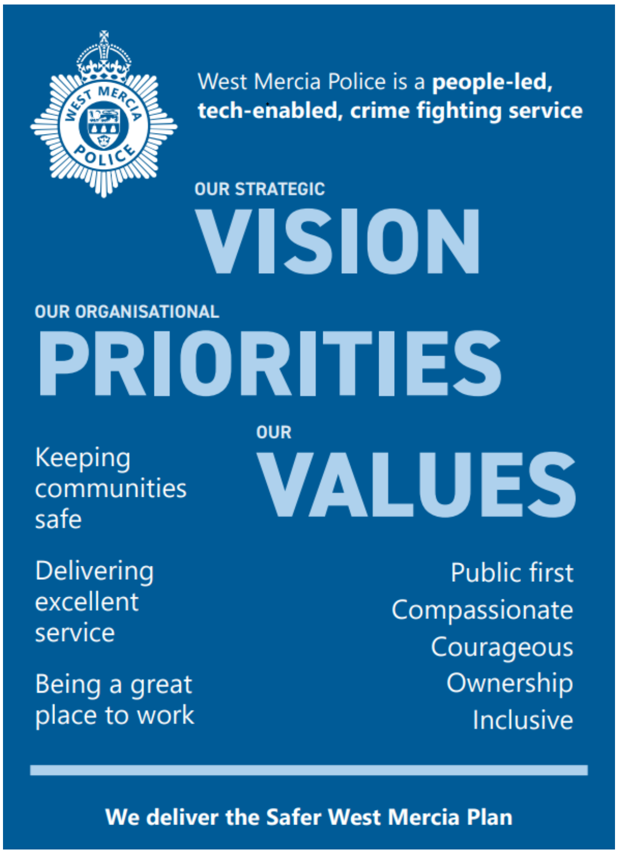
Terrorism
Serious & organised Crime
Civil Emergencies
Child Sexual Abuse
Cyber Security
Threats to public order
Violence against women and girls

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 the 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.



The detail behind the policing priorities for West Mercia Police, is documented 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.

The continuing vision of West Mercia Police is to ‘Protect People from Harm’. Achieving the vision relies on the 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	2561	3.16	36.90	63.10
PCSOs	183	2.19	52.46	47.54
Police Staff	1909	3.67	63.23	36.77
Specials	85	4.71	25.88	74.12
Total	**4738**	**3.36**	**47.91**	**52.09**

Section 2 – Governance

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

In discharging this the PCC is responsible for putting in place proper arrangements for the governance of his office’s affairs and facilitating the exercise of its functions. This includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes.

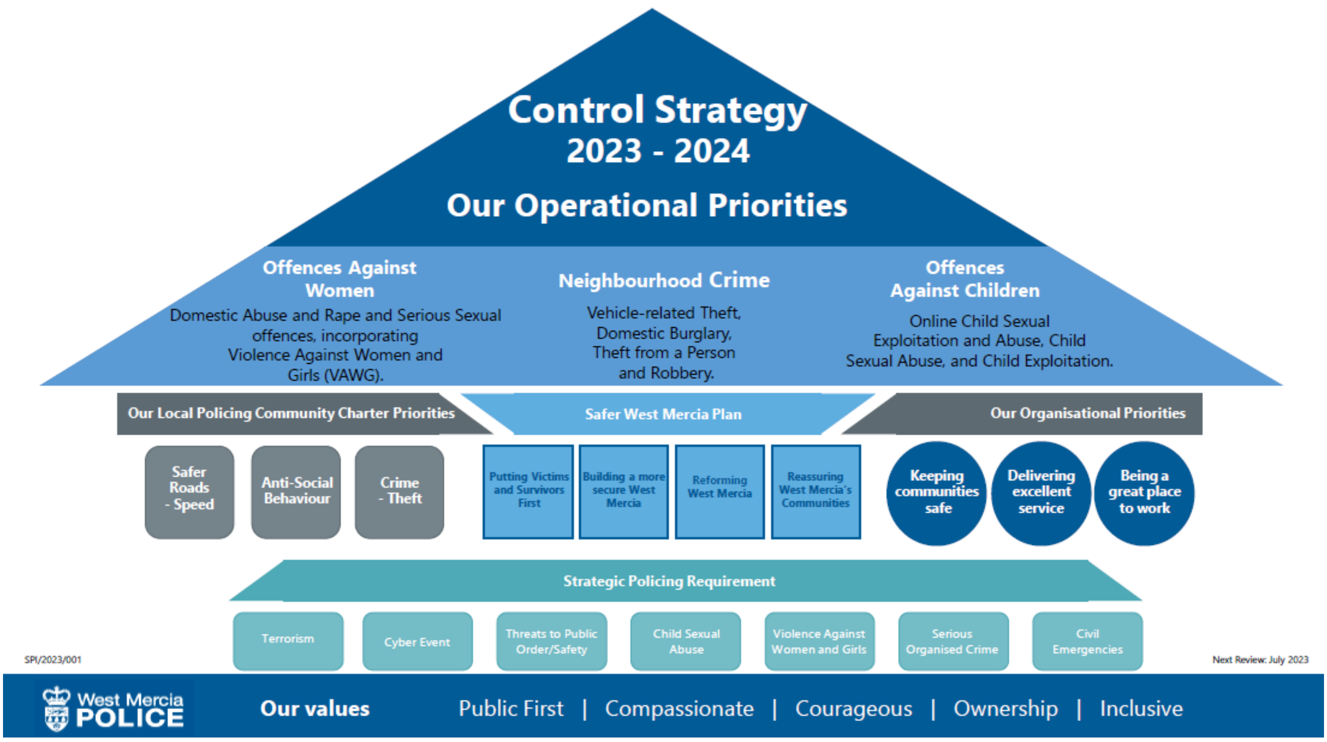
The Corporate Governance Framework sets out the parameters for decision making, including delegations, financial limits for specific matters and for entering into contracts. The West Mercia Governance Board has been established to govern West Mercia Police. The Board ensures that there is the right vision, 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. The PCC has also designated the PCC Office Governance Board and the Estates Governance Board as decision making bodies for matters relevant to that activity. Ensuring that governance is making the right decisions in the right forum and at the right time.

Separate PCC and Force strategic risk registers are held and reviewed regularly, with mitigations identified and taken where necessary. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes. Strategic Risks are reported to the Joint Audit and Standards Committee for review and scrutiny.

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

Diagram 2 shows the Control Strategy that has been in place during the financial year.

Diagram 2.



The main decision-making forum for the force is the Executive Board, which meets monthly and is chaired by the Chief Constable. The board receives regular reports on operational performance and the financial position. The force has a structure of meetings and boards below its Executive Board to transaction business on specific issues. The Chief Constable also has a system of internal control through 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 guidance to staff on what the organisations expectations are.

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

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

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

The PCC is supportive of greater collaboration across emergency services to deliver efficiencies and improved service delivery, in line with the principles outlined in the Policing and Crime Act 2017.

Section 3 – Achievements in 2023/24

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

- Police officer numbers increased by a further 40 with the focus on frontline policing and tackling community concerns. These additional officers took the establishment figure to the highest on record in West Mercia – 2,506.
- Five new Neighbourhood Crime Fighting Teams were launched, in each local policing area. These teams are focused on keeping persistent offenders off the streets and reducing levels of high impact crimes such as anti-social behaviour, drugs, major thefts, and criminal damage.
- The number of Special Constables are predicted to increase to 120 by the end of the year.
- £460k additional investment in the Firearms Licensing Unit with £200k towards recruiting additional firearms licensing officers and £260k for 10 vehicles to assist with visits.
- The build of the new fit-for-purpose joint police and fire station in Redditch commenced and is progressing to plan.
- The PCC secured a further £1.2m from the Home Office helping to fund DRIVE, a perpetrator programme run by Cranstoun, that is focused on challenging behaviour across West Mercia.
- The award-winning knife crime prevention programme 'Steer Clear' was widened across all areas of West Mercia. The programme will provide a 1:1 service for children and young people involved in knife related crime.
- A comprehensive profile has been created around violence against women and girls (VAWG), which highlights victim perceptions as well as data on crime and incidents. These tools allow the force to identify how re-victimisation can be prevented and harm is reduced. Five new VAWG officers have been recruited to pursue offenders and bring them to justice, while ensuring victims receive caring and compassionate support.
- £400k has been committed for the delivery of new average speed camera schemes.
- The PCC funded 10 Community Safety Engagement Officers to work in the heart of communities and with partners to address concerns.

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 forces 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.

There has been a long-term downward trend in total recorded crime estimates, nationwide, since the beginning of Covid-19 as measured by the Crime Survey for England and Wales (CSEW). However, improvements to recording processes by the police, expansions of offences recorded, more victims reporting crime and genuine increases in some types of crime have made substantial contributions to rises in recorded crime over recent years.

Locally, in West Mercia, when looking at the breakdown of crime reductions have been seen for most crime types when compared to the same period last year. Total recorded crime is showing an 8% reduction from the previous financial year, with incidents of rape showing the most significant fall. Whilst this is a positive results, there is still more work to do around Burglary crime in both residential and business settings, which only saw a small decrease.

Continued scrutiny and focus on outcomes achieved for victims of crime has seen improved levels of action taken including charge/summons by the force across all key crime types. Violence against women and girls (VAWG) is a priority for both the PCC and the Government. The PCC continues to focus on 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.

Whilst the majority of people remain confident that they can contact the police in both an emergency and non-emergency there has been a decline in call handling performance by West Mercia Police. 88% of 999 calls were answered within 10 seconds and 76% of Grade 1 incidents calls were attended within 20 minutes (target of 90%). The PCC recognises the public's priority of our police being accessible, and thus that decline in performance is not acceptable. The PCC has invested in additional call handling capacity and supported process enhancements to improve the service the public receives.

Confidence overall in policing remains high at 82% for the 12 month period, but is below the aspirational figure of 88%.

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 2023/24 HMICFRS carried out one specific review at West Mercia on Local Victims Services Assessment. This is a revisit of the PEEL inspection areas of concerns and progress made to date.

As well as the specific review of the force the HMICFRS undertake a range of national reviews covering all forces across a range of thematic areas. 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 3 – HMICFRS 2021/22 PEEL assessment

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

The force has reviewed 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.

It is expected that the next annual PEEL assessment will occur in the Autumn of 2024

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 Statement of Accounts includes income and expenditure that are measured and reported in accordance with proper accounting practice and conventions as set out, chiefly, in The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code). A reconciliation between the Income and Expenditure figures used to produce the outturn, explained in the following paragraphs and those contained in the Statement of Accounts is provided in Note 1.

The financial year was principally dominated by the continued impact of high inflation and the decision by the Bank of England to raise interest rates to 5.25% in September 2023, at which it has then remained. Whilst inflation has fallen from the 41-year high of 11.1%, down to 3.2% by the end of the year, there is no doubt that there has been pressure on budgets, particularly in respect of borrowing. The pay award agreed for implementation from September 2023 of 7% reflected the impact inflation on the cost of living. Whilst the award was higher than budgeted for, the government provided funding to cover the additional cost, Whilst the pay award cost have been met, the force has had to manage the wider impact of cost increases carefully through the year.

Table 3 - Funding Sources 2023/24

Where the Money Came From	Revised Budget £m
Central Government Funding	150.121
Locally Raised Funding – Precept (Council Tax)	122.639
Total Funding (excluding reserves)	**272.760**
Funding (from) / to Reserves	7.511
Total Funding (including reserves)	**280.271**

The original budget in 2023/24 as presented in the PCC budget report February 2023 was £277.068m, further funding and agreement to utilise carry forward from prior year underspend enabled the operational budget to be increased to £280.271m. The budget is supported through the council tax precept charge on Council Tax Payers of £264.50 (Band D equivalent) which is an increase of 5.94% (£15.00) on the 2022/23 charge.

The funding actually received was £0.133m higher than budgeted, due to a late notification of a change to council tax surplus from a local authority. The total funding available to apply to expenditure was therefore £280.404m

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 2024

West Mercia Police	Revised Budget £m	Actual spend £m	Budget Variance £m
Police Officer Pay	142.813	142.438	0.375
Police Officer Overtime	3.278	3.894	-0.616
Police Staff Pay	75.628	76.363	-0.735
Police Staff Overtime	0.703	0.996	-0.293
PCSO Pay	7.868	7.516	0.352
Pay Inflation Contingency	0.554	0.000	0.554
Injury, Ill Health and Pensions	3.599	5.161	-1.562
Other Employee Expenses	2.654	2.321	0.333
Premises	13.975	14.205	-0.230
Transport	4.825	4.986	-0.161
Supplies & Services	30.695	29.419	1.276
Contribution to Reserves	0.400	0.400	0.000
Third Party Payments	21.703	20.058	1.645
Capital Financing	8.340	8.550	-0.210
Gross Expenditure	**317.035**	**316.307**	**0.728**
Income	-36.764	-39.260	2.496
Operational Budget	**280.271**	**277.047**	**3.224**

	Revised Budget £m	Actual £m	Variance £m
Office of the PCC	256.316	256.953	-0.637
Chief Constable	23.955	20.094	3.861
Group Gross Outturn Expenditure	**280.271**	**277.047**	**3.224**

The net expenditure at 31st March of £277.047m. With total funding received of £280.404m, there is a reported revenue underspend of £3.357m

An Outturn Report was presented to the West Mercia Governance Board on the 28th May 2024 The 2023/24 financial position is showing relatively small budget variances across all categories of expenditure. As can be seen there was budget pressures across a number of headings, particularly in relation to remuneration of employees. Police staff officer pay was overspent, due to lower turnover of staff than predicted. Overtime for police officers was overspent due to an the easter bank holiday falling at the end of March which was not recognised in the budget. However, the largest overspend was £1.562m for Injury & Ill Health pensions, which includes an exceptional cost in relation to Scheme Sanctions Charges. This cost was a result of the identification of a discrepancy in the way costs were treated in previous financial years, which was not consistent with national guidance and best practice among forces.

The largest underspend was £1.645m on payments to Third Parties, mostly relating to commissioning activity from the Office of the PCC, specifically in relation to new community safety activity initiatives working in partnership with local public bodies. There was also £1.276m underspend on the purchase of goods and services from external bodies, although this was made up smaller variances across a number of budget holders. Income was the main contributing factor to the underspend, specifically the additional £1.872m Police officer uplift grant announced after the budget was set. Other large variances include an over achievement of loan interest of £0.820m, which was a positive result from the higher interest rates, which helped offsets higher costs to borrow. Also Op Safeguard, which was a revenue source from central government to hold prisoners in police custody cells, continued for longer than expected contributing an additional £0.586m of income above budget.

The recommendation in the Outturn Report in Money Matters was that the full balance will be contributed to earmarked reserves at the 31st March 2024. This was approved in the reserve's strategy, presented to the West Mercia Governance Board on the 28th May

Capital Outturn

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

Table 5 shows an analysis of capital expenditure incurred of £29.601m, being an underspend of £10.012m (£18.594m in 2022/23) against the approved budget.

Table 5 - Capital Programme Outturn 2023/24

Capital Programme Summary	2023/24 Capital Budget	2023/24 Actuals	Under/ (Over) spend
	£m	£m	£m
Change Programme	18.385	10.487	7.898
Estates Programme	12.290	14.647	-2.357
ICT Replacement	3.038	1.913	1.125
Fleet Programme	5.095	2.446	2.649
Other Programme	0.805	0.108	0.697
Capital Programme Total	**39.613**	**29.601**	**10.012**

The main reasons for the underspend are as follows:

Change Programme

- DST Application transformation was £3.138m underspent – It was planned that phase 3 of the apps transformation would begin in September 2023, to be completed by the

end of the 2023/24 financial year. Delays to discovery and the completion of the Corsham data centre have resulted in slippage into 2024/25.
- Tech Modernisation programme was £1.027m underspent. The Switch refresh element of this project has not been delivered during the financial year as expected due to competing priorities and limited resources.
- End User Experience was £1.034m overspent offsetting the above underspends, due to higher police officer numbers as a result of the Police Uplift Programme requiring the purchase of more equipment than planned,
- The Business Services Support System was £1.396m underspent, due to more clarification on user requirements being needed during project discovery, causing the scheme to slip into 2024/25 for delivery.
- Data & Integration was £1.406m underspent - Insight Analysis software has recently been procured; however, time is required to review the outputs from this software before full implementation is progressed.

Estates
- Redditch Police & Fire Station was £7.305m overspent. This project has continued at pace and the contractors have been able to progress the construction quicker than had been original expected. Whilst there is significant overspend in year, the total spend on the project has been agreed and is within budget.
- Firearms Training School was £1.602m underspend as the planning process has taken longer than expected, which has meant that costs have been less than predicted.
- Planned Programme & Estate Transformation Programme was £2.679m underspent. A range of pressures from other capital projects, availability of resources to deliver the works and a delay in implementation of a framework contract to procurement has meant that there has been slippage in the delivery of these works.

ICT Replacement
- Budget for LAN replacement switches was £0.400m underspent as the manufacturer agreed to extend product support through to end of 2023/24. The replacement will be required in 2024/25.

Transport
- The fleet replacement allocation has been fully committed during 2023/24, but not all vehicles on order were received by 31st March. The capital allocation for these vehicles have been requested to carry forward.

Table 6 - Funding of Capital Programme

Capital Financing	2023/24 Capital Budget	Actuals
	£m	£m
Capital Receipts	0.500	1.430
Capital Grants	0.040	0.016
Revenue Contributions	1.000	1.544
Reserves	0.030	0.243
External Borrowing	38.043	26.368
Total Funding	**39.613**	**29.601**

Capital expenditure has been funded principally through borrowing. Borrowing levels are governed by the prudential code which determines whether borrowing is affordable. The PCC recognises the long-term implications on the revenue budget. He has sort to mitigate this by approving a revised capital strategy, which includes key principles to ensure that the capital programmes impact is sustainable over the long term. This principally relies on ensuring, where possible, that short term assets are funded from revenue. The PCCs aim is to continue to identify capital receipts and revenue resources to support the capital programme where possible.

Balance Sheet Position

Cash balances are invested in line with the Treasury Management Strategy, the priority being to protect our investments ahead of making a return. Due to the high level of internal borrowing (£17.8m), as at 31 March 2024 the PCC had only £4.7m invested short-term and during 2023/24 achieved an average return of 5.02%.

The PCC's borrowing has Increased by £20.8m during the year. This increase is because West Mercia Police's ability to finance capital expenditure using internal borrowing has been exhausted combined with the maturity of a £5.0m PWLB loan and £4.2m of principle repayments. Temporary loans of £10m were held as at 31 March 2024 was repaid in April 2024. It is expected that new PWLB loans will be required in 2024/25 to finance the capital programme.

West Mercia Reserves Position

After utilisation during the year and based on the decision to transfer the underspend to reserves the balance at the 31st March 2023 stand at £19.687m. Reserves are an important part of the PCC strategy to deliver the objectives set out in the Police and Crime Plan and the Medium Term Financial Plan (MTFP). Note 8 in the Accounts provides an analysis of the reserves at the 31 March 2024 and shows the movement since 01 April 2023.

During the year there was £8.534m which were utilised to fund activity. This includes

- £2.956m supporting the force revenue budget to provide time to plan for managing the impact of budget pressures.
- £0.971m on supporting the force investigation into maternity deaths at Shropshire and Telford Hospitals NHS Trust.
- £0.712m spent on specific commissioning projects with partners to support victims of crime and on programmes for intervention and prevention of crime.
- £0.544m on flexibility to the force to undertake targeted operations in communities, raising visibility, as well as providing additional resource to Firearms Licencing to improve performance.
- £1.102m on self-insurance and also supporting the creation of new provisions as detailed in note 29 of the accounts to help offset the cost of some one-off decisions.

At the end of the financial year the underspend on the revenue budget that was available to be transferred back to reserves was £3.357m, with a recommendation on how to allocate this to specific Earmarked Reserves. The PCC has signed off a strategy to use over £8m of the balance on earmarked reserves in 2024/25 to fund expenditure. This was approved at the West Mercia Governance Board in May 2023.

The requirement for reserves has been based on known future costs and an assessment of risk of future budget pressures. There has also been an assessment of risk facing West Mercia and reserves required to mitigate that risk, including a self-insurance fund to offset claims made against West Mercia and a budget equalisation reserve which mitigates delays in achieving efficiency targets and to ensure that the force can deliver a balanced budget in a planned and efficient way.

The balance on General Reserves is now £7.750m. The assessment of the Treasurer is that this is adequate to meet the risks faced by West Mercia in the next 12 months and over the MTFP. The 2024/25 Budget and MTFP Report contains the Treasurer's annual review of the adequacy of reserves and a reserves strategy over the MTFP period. This has been updated by a 2024/25 Reserves Statement approved in May 2024. The reserves held will ensure that West Mercia has the resources available to support the PCC in achieving his objectives, whilst ensuring resilience to cope with unexpected financial burdens which may occur.

Pensions Liabilities

In accordance with International Accounting Standard (IAS) 19, the cost of employment and post-employment liabilities is shown in the Group's Accounts. The Group maintains a negative pensions reserve to match the estimated liability in relation to Police Officers, Police Staff and Police Community Support Officers' retirement benefits, which at the 31 March 2024 is £2,006.1m (PCC element of £0m). However, in considering the impact that this has on the financial position of the PCC it must be remembered that:

- Police Staff (including YJS employees) and Police Community Support Officers are entitled to join the Local Government Pension Scheme (LGPS), which is a funded scheme. The liability will be funded by future planned increases in both the employee and employer contributions;

- The Police Pension Scheme, under the current arrangements, is funded partly by police officer and employer contributions. If there is insufficient money in the Pension Fund

Account to meet all expenditure commitments in any particular year the Home Office will fund the deficit;

- The Police Pension Scheme and LGPS have been subject to reform and both are now career average (CARE) schemes. Therefore the future benefit structures, as well as the level of contributions, will change.

Further information about the IAS 19 liability can be found under Note 36, and information about the Police Pensions Fund Account can be found on page 105.

Section 6. Value for Money

Both the PCC and Chief Constable have a duty to provide efficient and effective policing at an affordable cost. A key area for ensuring this is effective governance and oversight. Financial management arrangements are in place to ensure robust spending decisions are made by Budget Holders. Oversight of the total budget by West Mercia Governance Board ensures that there is comprehensive overview of financial performance. These are supported by the PCC Governance Board & Estates Governance Board as decision making bodies. Within the force structure there is also the Force Delivery Group and Change and Transformation 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 maintained level of reserves to manage financial risks. The force continues to develop is strategic planning cycle which budget setting forms a key part. This looks to develop future plans based on an understanding of the cost of operating services and how that then fits into the priorities of West Mercia and the resulting spending plans.

Key areas of investment continue to be 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. In 2023/24 there was the successful roll out of Microsoft 365 to the vast majority of Police Officers and Staff in the organisation. With employees now on this platform the next stage of this multi-year transformation programme is to investigate the opportunities to deliver more efficiencies using available applications.

Throughout 2023/24, the Change and Transformation Board, attended by Chief Officers, programme managers and representatives from across the Force and PCC, meet monthly to review progress and agree priorities and actions on the key transformation project areas. It oversees the delivery of appropriate outcomes to achieve strategic objectives and to monitor benefits realisation. The benefits realised from the transformation programme in terms of efficiency and the generation of savings are being monitored as the work develops. They form a significant proportion of the financial savings targets within the Medium-Term Financial Plan and are critical to the future financial sustainability and efficiency of the Force.

The Estates Service has continued to develop through 2023/24, The waste contract was tendered during the year, which resulted in the reduction in service cost of over £100k. The team has been working on ensuring that they have the data on space utilisation and cost of assets to understand the value for money that we get from them. Through this information, condition surveys and understanding the future operating costs it will provide the information required to make future investment decisions. Through the second half of the year the PCC and the CC have requested a specific piece of work to look at the data and provide recommendations on what rationalisation of the estate can occur to reduce the overall costs. Whilst initial decisions on disposals have been agreed, there is further work that will be undertaken on making sure that parts of the estate that have been identified as not operating effectively are investigated to identify options to ensure that the estate is providing value for money. There continues to be investment in the estate, specifically the delivery of a new Police Station in Redditch, replacing a current asset which is no longer fit for purpose. Construction commenced during the year, and has continued at pace, with an opening in late 2024 expected.

Section 7 - The Medium-Term Financial Plan

Setting the budget and precept proposal is one of the key responsibilities of the West Mercia PCC under the Police Reform and Social Responsibility Act 2011 and one of the most important decisions that he has to make. As part of setting an annual budget, the PCC considers the financial implications of plans and strategies over the medium term.

In setting the 2024/25 budget the PCC has regard to a wide range of factors including:

- Priorities within the Safer West Mercia Plan;
- National targets and objectives including the officer uplift programme and strategic policing requirement;
- The outcome of public consultation;
- Plans and policies of other partner agencies relating to community safety and crime reduction;

The PCC agreed a net revenue budget of £288.434 for the 2024/25 financial year, which includes utilisation of reserves of £4.276m resulting in a budget requirement of £284.158m. The budget is funded by

- £153.900m of government funding,
    - This is an increase of £8.053m compared to 2023/24.
- £129.300m from the Council Tax through the precept,
    - This is an increase of 4.91% on the previous year's precept charge
- £0.958m contribution from a predicted surplus on Collection Fund Balances.

The PCC continues to focus on setting a balanced budget and that the force is living within its means, with reserves focused on being used on non-recurring expenditure. However he has recognised that the use of reserves to support the budget in 2024/25 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. Currently there is no commitment made on future funding levels. The 2024/25 Budget Report sets out the assumptions regarding funding and cost changes. This has highlighted that 2025/26 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 2025/26 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

An annual strategic assessment is undertaken by the force 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. 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.

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

They comprise:

- The **Statement of Accounting Policies,** which sets out the accounting policies adopted by the Group and the PCC and explains the basis on which the financial transactions are presented;

- The **Statement of Responsibilities** for the Accounts, which sets out the responsibilities of both the PCC and the responsible Chief Finance Officer for the preparation of the Accounts;

- **Auditor's Report** gives the auditor's opinion of the financial statements and of the Group's arrangements for securing economy, efficiency and effectiveness in the use of resources;

- The **Comprehensive Income & Expenditure Statement (CIES)** is a summary of the income and expenditure received and used to provide services during the year and shows how the PCC has funded the cost of net expenditure incurred at the request of the Chief Constable by an intra-group transfer. The surplus or deficit on the provision of services line flows into the MIRS to be transferred into the balance sheet as explained below;

- The **Movement in Reserves Statement (MIRS)** shows the movement in the year on the different reserves held by the Group and the PCC. A further analysis and explanation of the purpose for which these unusable reserves are held can be found at Note 9. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the CIES. This is different to the statutory amounts that can be charged against the police fund and taxation, whereas the net increase before transfers to earmarked reserves is the sum after adjustment for the entries required to comply with accounting standards, Note 7 provides detailed analysis of the adjustments contained in the MIRS;

- The **Balance Sheet**, which shows the value as at the 31 March 2024 of the assets and liabilities recognised by the Group and PCC. The net assets (assets less liabilities) are matched by the usable and unusable reserves, which hold the transfers from the CIES, which have moved through the MIRS;

- The **Cash Flow Statement**, which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes;

- **Notes to the Accounts**, these comprise a detailed analysis of the summarised financial information in the Core Financial Statements, including the Expenditure and Funding Analysis (Note 1);

- **Police Officer Pension Fund Account** - This identifies the payments in and out of the Police Officers Pension Fund Account for the year;

- The **Annual Governance Statement** – This section describes how the PCC conducts business in accordance with proper standards and presents the findings from the annual review of the effectiveness of systems of internal control. The Annual Governance Statement does not form part of the Accounts but is included here for reporting purposes.

The Group and PCC Accounts should be read alongside the Chief Constable's Accounts, which can be found on the PCC's website.

Statement of Accounting Policies for the Group and the PCC

i. General Principles

The Statement of Accounts summarises the Group's and the PCC's transactions for the 2023/24 financial year and its position at the year-end. The accounting policies are the specific principles, bases, conventions, rules and practices applied by the Group and the PCC when preparing and presenting the financial statements. The Group and the PCC are required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 supported by International Financial Reporting Standards (IFRS).

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

ii. Changes in Accounting Policies

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions in the Group's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. No changes have been made to the Group's accounting policies in 2023/24.

iii. Income and Cost Recognition and Intra-group Adjustment

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

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

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

iv. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by police officers, police staff and PCSOs) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accrued for as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Manual accruals of revenue or expenditure are not required to be made where the value of the item is less than £1,000.

v. Cash and Cash Equivalents

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

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

vi. Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

- Amortisation of intangible non-current assets attributable to the service.

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

vii. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

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

Post-Employment Benefits

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

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

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

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

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

- International Accounting Standard (IAS) 19 requires the nominal discount rate to be set by reference to market yields on high quality corporate bonds or where there is no deep market in such bonds then by reference to government bonds.

- the PPS liabilities are discounted using the nominal discount rate based on government bond yield of appropriate duration plus an additional margin and the LGPS liabilities are discounted to their value at current prices, using a discount rate based on corporate bond yields at 31 March 2024.

- the discount rates used by the actuaries and other principal assumptions are set out in Note 36.

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

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

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

- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.

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

- **Re-measurements comprising:**

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

  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- **Contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

A difference between the two schemes is that the PPS is an unfunded, defined benefit, 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 104.

It should be noted that the Group has not exercised powers to make discretionary awards of retirement benefits in the event of early retirements. The approach set out in the joint Government Actuary's Department (GAD)-CIPFA paper "Assessment of Pension Liabilities

Disclosures" as realised in the GAD model has been followed in order to satisfy the disclosure requirements of the Code.

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

viii. Fair Value Measurement

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

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

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

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

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

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

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

ix. Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

x. Government Grants and Contributions

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

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

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

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

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

xi. Intangible Assets

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

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

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

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

xii. Inventories and Long-Term Contracts

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

xiii. Investment Property

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

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

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

xiv. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the PCC and / or Chief Constable in conjunction with other ventures or organisations that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Group recognises on its Balance Sheet the assets (Property, ICT and Vehicles) that it controls or its share thereof. Joint assets give rise to benefits of the joint ventures. The Group also recognises the liabilities that it incurs. The CIES is debited and credited with the expenditure it incurs and the share of costs incurred or income earned through the joint operation.

A full explanation of the treatment of transactions and balances under the alliance has been explained fully in Note 14 to the Accounts 'Pooled Budgets and Joint Operations'.

xv. Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Group as Lessee (Operating Lease)

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

The Group as Lessor (Operating Lease)

Where the Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis from the commencement of the lease term over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The Group as Lessor (Finance Lease)

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

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

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

xvi. Segmental Analysis

Income and Expenditure is reported in the CIES on the basis of the Group's organisational structure. This requirement arose from CIPFA's "Telling the Story" review that revised the presentation of Public Sector financial statements so that the CIES reflects the way that organisations operate and manage services. The Group monitors and manages its financial performance on the basis of three segments to reflect its distinct service areas. These three segments are: Policing Services, Police and Crime Commissioner and Youth Justice Service. The costs of overheads and support services are charged to each segment on the same basis as they are reported in the financial performance reports. That is, the costs fall in the segment that is responsible for the support service and that directly monitors and manages that service.

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

xvii. Prior Year Adjustments

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

xviii.Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Desktop reviews of certain properties not formally valued during the current year are carried out annually to ensure that this holds true as at the Balance Sheet date; following this review, management determined that the carrying amounts of Operational Assets were not materially different from their current value. Valuations are carried out by qualified valuers, employed in the Office of the Police and Crime Commissioner's Estates team, the most recent being carried out as at 31 March 2023. The valuers provided the PCC with assurance that there had been no material changes in the valuations between the valuation date and 31 March 2023. The basis of valuation used is set out below as recommended by CIPFA and in line with the Statements of Asset Valuation Practice and guidance notes of the Royal Institute of Chartered Surveyors (RICS). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to the Cost of Services.

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

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

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

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

Componentisation

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

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

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

Components of buildings and the life of each component are:

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the straight-line method over:

- buildings – straight line allocation over the useful life of the property as estimated by the valuer;
- plant, furniture and equipment (including ICT) – 5 years;
- vehicles – 2 to 10 years (2 years – high-mileage, response vehicles; 3 years – high mileage roads policing vehicles 5 years – general use vehicles; 6 years – vans; 8 years – ULEV and hybrid; 10 years PSU carriers and large vans).

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

De Minimis

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

xix. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

A contingent liability or a contingent asset arises where an event has taken place that gives the Group a possible obligation or asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in Note 29 to the Accounts.

xx. Reserves

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

xxi. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the PCC has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MIRS from the General Fund Balance to the CAA then reverses out the amounts charged so that there is no impact on the level of council tax. Notes 21 and 23 explain the REFCUS incurred by the PCC during the year.

xxii. Value Added Tax

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

xxiii. Council Tax

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

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

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

Statement of Responsibilities

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

The PCC is required to:

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

I accept the above responsibilities and approve these Statement of Accounts for 2023/24.

John Campion
Police and Crime Commissioner for West Mercia
Date:

Responsibilities of the Treasurer to the Commissioner

The Treasurer to the Commissioner is responsible for the preparation of the Statement of Accounts for the Police and Crime Commissioner for West Mercia and Group in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code).

In preparing this Statement of Accounts, the Treasurer to the Commissioner has:

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

The Treasurer has also:

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

The unaudited Statement of Accounts for the Police and Crime Commissioner for West Mercia and Group were issued on 31st May 2024 by authority of the Treasurer to the Commissioner.

I certify that the Statement of Accounts represents a true and fair view of the financial position of the PCC and the Group at the accounting date and of the income and expenditure for the year ended 31 March 2024.

Paul Benfield
Treasurer to the Police and Crime Commissioner for West Mercia
Date: 31st May 2024

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

Report on the Audit of the Financial Statements

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

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

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Comprehensive Income and Expenditure Statement (CIES) for the Group

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

2022/23 Gross Expenditure £000	2022/23 Gross Income £000	2022/23 Net Expenditure £000		Notes	2023//24 Gross Expenditure £000	2023/24 Gross Income £000	2023/24 Net Expenditure £000
298,330	(30,369)	267,961	Policing Services	1	273,550	(29,817)	243,733
24,237	(5,189)	19,048	Police and Crime Commissioner	1	29,097	(8,604)	20,493
2,649	(3,049)	(400)	Youth Justice Service	1	2,718	(3,058)	(340)
325,216	**(38,607)**	**286,609**	**Net Cost of Policing Services**	**1**	**305,365**	**(41,479)**	**263,886**
		(145)	Other operating expenditure – (profit) / Loss on disposal of non-current assets (note 25)				28
		77,412	Financing and investment net expenditure *(Note 11)*				91,154
		(298,905)	Taxation and non-specific grant income *(Note 12)*				(308,329)
		64,971	**Deficit on Provision of Services**				**46,740**
		(3,424)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets *(Note 9 (i))*				(470)
		(990,779)	Re-measurement of the net defined benefit liability *(Note 36)*				(15,100)
		(994,203)	**Other Comprehensive (Income) & Expenditure**				**(15,570)**
		(929,232)	**Total Comprehensive (Income) & Expenditure**				**31,170**

Comprehensive Income and Expenditure Statement (CIES) for the PCC

This Statement shows the accounting cost and funding in the year of providing services presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the MIRS. The CIES includes the intra-group transfer, whereby the PCC provides resources to meet the cost of day to day policing provided by the Chief Constable.

2022/23 Gross Expenditure £000	2022/23 Gross Income £000	2022/23 Net Expenditure £000		Notes	2023/24 Gross Expenditure £000	2023/24 Gross Income £000	2023/24 Net Expenditure £000
8,368	(38,774)	(30,406)	Policing Services		8,711	(38,359)	(29,648)
24,237	(5,189)	19,048	Police and Crime Commissioner		29,097	(8,604)	20,493
2,649	(3,049)	(400)	Youth Justice Service		2,718	(3,058)	(340)
35,254	**(47,012)**	**(11,758)**	**Cost of Policing Services**	**1**	**40,526**	**(50,021)**	**(9,495)**
268,680	0	268,680	Funding to the Chief Constable for financial resources consumed	10	288,442	0	288,442
303,934	**(47,012)**	**256,922**	**Net Cost of Policing Services**		**328,968**	**(50,021)**	**278,947**
		(146)	Other operating expenditure – Loss on disposal of non-current assets *(Note 25)*				28
		796	Financing and investment net expenditure *(Note 11)*				476
		(260,165)	Taxation and non-specific grant income *(Note 12)*				(272,766)
		(2,593)	**(Surplus) or Deficit on Provision of Services**				**6,685**
		(3,424)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets *(Note 9 (i))*				(470)
		(9,932)	Re-measurement of the net defined benefit liability *(Note 36)*				175
		(13,356)	**Other Comprehensive (Income) & Expenditure**				**(295)**
		(15,949)	**Total Comprehensive (Income) & Expenditure**				**6,390**

Movement in Reserves Statement (MIRS) for the Group

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

	Notes	Total Police Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2022							
Movement in reserves during 2022/23							
Total Comprehensive Income and Expenditure	1	**(64,971)**	**0**	**0**	**(64,971)**	**994,203**	**929,232**
Adjustments between accounting basis and funding basis under regulations	7	71,490	0	0	71,490	(71,490)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves		**6,519**	**0**	**0**	**6,519**	**922,713**	**929,232**
Transfers to/from Earmarked Reserves	8	0	0	0	0	0	0
Increase/(Decrease) in Year		**6,519**	**0**	**0**	**6,519**	**922,713**	**929,232**
Balance at 31 March 2023 Carried Forward		**24,864**	**0**	**0**	**24,864**	**(1,949,075)**	**(1,924,211)**
Movement in reserves during 2023/24							
Total Comprehensive Income and Expenditure	1	**(46,740)**	**0**	**0**	**(46,740)**	**15,570**	**0**
Adjustments between accounting basis and funding basis under regulations	7	41,563	0	0	41,563	(41,563)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves		**(5,177)**	**0**	**0**	**(5,177)**	**(25,993)**	**(31,170)**
Transfers to/from Earmarked Reserves	8	0	0	0	0	0	0
Increase/(Decrease) in Year		**(5,177)**	**0**	**0**	**(5,177)**	**(25,993)**	**(31,170)**
Balance at 31 March 2024 Carried Forward		**19,687**	**0**	**0**	**19,687**	**(1,975,068)**	**(1,955,381)**

Movement in Reserves Statement (MIRS) for the PCC

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

	Notes	Total Police Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2022							
Movement in reserves during 2022/23							
Total Comprehensive Income and Expenditure	1	**2,593**	**0**	**0**	**2,593**	**13,356**	**15,949**
Adjustments between accounting basis and funding basis under regulations	7	3,926	0	0	3,926	(3,926)	0
Net Increase before transfers to Earmarked Reserves		**6,519**	**0**	**0**	**6,519**	**9,430**	**15,949**
Transfers to/from Earmarked Reserves	8	0	0	0	0	0	0
Increase/(Decrease) in Year		**6,519**	**0**	**0**	**6,519**	**9,430**	**15,949**
Balance at 31 March 2023 Carried Forward		**24,864**	**0**	**0**	**24,864**	**40,074**	**64,938**
Movement in reserves during 2023/24							
Total Comprehensive Income and Expenditure	1	**(6,684)**	**0**	**0**	**(6,684)**	**295**	**0**
Adjustments between accounting basis and funding basis under regulations	7	1,507	0	0	1,507	(1,507)	0
Net Increase before transfers to Earmarked Reserves		**(5,177)**	**0**	**0**	**(5,177)**	**(1,213)**	**(6,390)**
Transfers to/from Earmarked Reserves	8	5,177	0	0	5,177	1,213	6,390
Increase/(Decrease) in Year		**(5,177)**	**0**	**0**	**(5,177)**	**(1,213)**	**(6,390)**
Balance at 31 March 2024 Carried Forward		**19,687**	**0**	**0**	**19,687**	**38,861**	**58,548**

Balance Sheets for the Group and the PCC

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

The PCC as at 31 March 2023 £000	The Group as at 31 March 2023 £000		Notes	The PCC as at 31 March 2024 £000	The Group as at 31 March 2024 £000
100,828	100,828	Property, Plant & Equipment	21	121,193	121,193
270	270	Investment Property	22	262	262
4,561	4,561	Intangible Assets	23	3,242	3,242
3,262	3,262	Long Term Debtors	24	3,184	3,184
108,921	**108,921**	**Long Term Assets**		**128,601**	**128,601**
0	0	Assets Held for Sale	25	230	230
20,810	41,647	Short Term Debtors and other current assets	26	21,386	31,125
3,773	3,773	Cash and Cash Equivalents	27	4,741	4,741
0	785	Inventories	26	0	811
0	0	Intra-Group Debtor	10	0	0
24,583	**46,205**	**Current Assets**		**26,357**	**36,907**
(18,086)	(18,086)	Short Term Borrowing	30	(19,715)	(19,715)
(23,723)	(41,097)	Short Term Creditors	28	(16,706)	(38,558)
0	(1,209)	Provisions	29	0	(2,225)
8,203	0	Intra-Group Creditor / (Debtor)	10	(5,719)	0
(33,606)	**(60,392)**	**Current Liabilities**		**(42,140)**	**(60,498)**
(32,746)	(32,746)	Long Term Borrowing	30	(53,565)	(53,565)
25	(1,983,960)	Liability Relating to Defined Benefit Pension Schemes	36	0	(2,006,121)
(2,223)	(2,223)	Revenue Grants Receipts in Advance		(705)	(705)
(16)	(16)	Capital Grants Receipts in Advance		0	0
(34,960)	**(2,018,945)**	**Long Term Liabilities**		**(54,270)**	**(2,060,391)**
64,938	**(1,924,211)**	**Net Assets / (Liabilities)**		**58,548**	**(1,955,381)**
24,864	24,864	Usable Reserves	8	19,687	19,687
40,074	(1,949,075)	Unusable Reserves	9	38,861	(1,975,068)
64,938	**(1,924,211)**	**Total Reserves**		**58,548**	**(1,955,381)**

The unaudited Statement of Accounts were issued on 31st May 2024.

Treasurer to the Police and Crime Commissioner for West Mercia:

Cash Flow Statements for the Group and the PCC

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

The PCC 2022/23	The Group 2022/23		Notes	The PCC 2023/24	The Group 2023/24
£000	£000			£000	£000
(2,593)	**64,971**	**Net (surplus) or deficit on the provision of services**	**1**	**6,685**	**46,740**
(1,085)	(68,649)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33	(15,797)	(55,852)
468	468	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33	1,355	1,355
(3,210)	**(3,210)**	**Net cash flows from Operating Activities**		**(7,757)**	**(7,757)**
14,511	14,511	Investing Activities	34	29,237	29,237
(11,589)	(11,589)	Financing Activities	35	(22,448)	(22,448)
(288)	**(288)**	**Net increase or decrease in cash and cash equivalents**		**(968)**	**(968)**
(3,485)	**(3,485)**	Cash and cash equivalents at the beginning of the reporting period	27	**(3,773)**	**(3,773)**
(3,773)	**(3,773)**	**Cash and cash equivalents at the end of the reporting period**		**(4,741)**	**(4,741)**

Notes to the Financial Statements

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

1. Expenditure and Funding Analysis (EFA)

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

The Group

	2023/24 Net Expenditure Chargeable to the Police Fund Balances	2023/24 Adjustments between the Funding and Accounting Basis	2023/24 Net Expenditure in the CIES
	£000	£000	£000
Policing	257,785	(14,052)	243,733
Police and Crime Commissioner	20,625	(132)	20,493
Youth Justice Service	(340)	0	(340)
Net Cost of Policing Services	**278,071**	**(14,184)**	**263,886**
Other income and expenditure	(272,893)	55,747	(217,147)
(Surplus) or deficit on provision of Services	**5,177**	**41,563**	**46,740**

Opening Police Fund at 31 March 2023	(24,864)
Less Deficit on Police Fund in Year	5,177
Closing Police Fund at 31 March 2024	**(19,687)**

	2022/23 Net Expenditure Chargeable to the Police Fund Balances	2022/23 Adjustments between the Funding and Accounting Basis	2022/23 Net Expenditure in the CIES
	£000	£000	£000
Policing	236,325	31,636	267,961
Police and Crime Commissioner	18,337	711	19,048
Youth Justice Service	(400)	0	(400)
Net Cost of Policing Services	**254,262**	**32,347**	**286,609**
Other income and expenditure	(260,781)	39,143	(221,638)
(Surplus) or deficit on provision of Services	**(6,519)**	**71,490**	**64,971**

Opening Police Fund at 31 March 2022	(18,345)
Less Deficit on Police Fund in Year	(6,519)
Closing Police Fund at 31 March 2023	**(24,864)**

The PCC

	2023/24 Net Expenditure Chargeable to the Police Fund Balances	2023/24 Adjustments between the Funding and Accounting Basis	2023/24 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	(30,015)	367	(29,648)
Police and Crime Commissioner	20,625	(132)	20,493
Youth Justice Service	(340)	0	(340)
Net Cost of Policing Services	**(9,730)**	**235**	**(9,495)**
Funding to the Chief Constable for financial resources consumed	287,801	641	288,442
Other income and expenditure	(272,894)	631	(272,262)
(Surplus) or deficit on provision of Services	**5,177**	**1,507**	**6,685**

Opening Police Fund at 31 March 2023	(24,864)
Less Deficit on Police Fund in Year	5,177
Closing Police Fund at 31 March 2024	**(19,687)**

	2022/23 Net Expenditure Chargeable to the Police Fund Balances	2022/23 Adjustments between the Funding and Accounting Basis	2022/23 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	(29,419)	(988)	(30,407)
Police and Crime Commissioner	18,340	711	19,051
Youth Justice Service	(400)	0	(400)
Net Cost of Policing Services	**(11,479)**	**(277)**	**(11,756)**
Funding to the Chief Constable for financial resources consumed	265,743	2,937	268,680
Other income and expenditure	(260,783)	1,266	(259,517)
(Surplus) or deficit on provision of Services	**(6,519)**	**3,926**	**(2,593)**

Opening Police Fund at 31 March 2022	18,345
Less Deficit on Police Fund in Year	6,519
Closing Police Fund at 31 March 2023	**24,864**

1(a) Note to the EFA

Adjustments between Funding and Accounting Basis

The Group

2023/24					
Adjustments from Police Fund to arrive at the CIES amounts	**Adjustments for Capital Purposes (note i)**	**Net Change for the Pensions Adjustments (note ii)**	**Financing and Investment Adjustments (note iii)**	**Other Adjustments (note iv)**	**Total Adjustments**
	£000	£000	£000	£000	£000
Policing Services	1,494	(17,705)	(486)	2,644	(14,053)
Police and Crime Commissioner	0	(132)	0	0	(132)
Youth Justice Service	0	0	0	0	0
Net Cost of Services	1,494	(17,837)	(486)	2,644	(14,185)
Other income and expenditure from the Funding Analysis	19	55,098	486	143	55,747
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**1,513**	**37,261**	**0**	**2,787**	**41,562**

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	2,500	30,296	(551)	(609)	31,636
Police and Crime Commissioner	0	711	0	0	711
Youth Justice Service	0	0	0	0	0
Net Cost of Services	2,500	31,007	(551)	(609)	32,347
Other income and expenditure from the Funding Analysis	(144)	38,113	551	622	39,142
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**2,356**	**69,120**	**0**	**13**	**71,489**

The PCC

2023/24					
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	170	0	1,088	(891)	367
Police and Crime Commissioner	0	(132)	0	0	(132)
Youth Justice Service	0	0	0	0	0
Net Cost of Services	170	(132)	1,088	(891)	235
Funding to the Chief Constable	1,324	0	(1,574)	891	641
Other income and expenditure from the Funding Analysis	20	(18)	486	143	631
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**1,514**	**(150)**	**0**	**143**	**1,507**

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	(37)	0	354	(1,305)	(988)
Police and Crime Commissioner	0	711	0	0	711
Youth Justice Service	0	0	0	0	0
Net Cost of Services	(37)	711	354	(1,305)	(277)
Funding to the Chief Constable	2,537	0	(905)	1,305	2,937
Other income and expenditure from the Funding Analysis	(144)	237	551	622	1,266
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**2,356**	**948**	**0**	**622**	**3,926**

Note (i) Adjustments for Capital Purposes

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

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

Note (ii) Net Change for Pensions Adjustments

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

- For services this represents the removal of the employer pension contributions made by the Group as allowed by statute and the replacement with current service costs and past service costs.

- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

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

Note (iv) Other Adjustments – this column reflects variations in the amount chargeable for Council Tax under Statute and the Code; and timing differences relating to accruing for compensated absences earned but not taken in the year (absorbed by the Accumulated Absences Account). Also included is £0.891m (£1.305m in 2022/23) in respect of the training costs funded by the government from the Apprenticeship Levy.

1(b) Expenditure and Income Analysed by Nature

The Group

2022/23 £000		2023/24 £000
135,603	Police officers pay	148,093
81,944	Police staff pay	85,168
3,574	Police pensions	5,161
3,490	Other Employee Expenses	3,604
72,034	Pensions current cost of service	27,278
(41,357)	Cost of pensions based on cash flows	(45,317)
(609)	Accumulated absences	2,644
61,839	Other service expenditure	69,821
330	Non distributed costs	202
8,368	Depreciation, Amortisation, Revaluation Loss and REFCUS (see glossary)	8,712
905	Interest payable	1,574
76,853	Net interest on the net defined benefit liability	90,661
(146)	Loss on disposal of non-current assets	28
402,828	**Total Expenditure**	**397,629**
(16,688)	Fees, charges and other service income	(18,160)
8	Investment property income, net of revaluation movement	7
(187)	Interest and investment income	(925)
(167)	Finance Lease income	(163)
(114,780)	Income from council tax	(122,629)
(206,043)	Government grants and contributions	(209,019)
(337,857)	**Total Income**	**(350,889)**
64,971	**Deficit on the Provision of services**	**46,740**

The PCC

2022/23 £000		2023/24 £000
5,127	Police staff pay	5,623
88	Other Employee Expenses	66
1,497	Pensions current cost of service	672
(786)	Cost of pensions based on cash flows	(804)
20,959	Other service expenditure	26,259
0	Non distributed costs	0
905	Interest payable	1,574
237	Net interest on the net defined benefit liability	(18)
(146)	Loss on disposal of non-current assets	28
0	Capital Charge between PCC and Chief Constable - net	0
268,680	Funding to the Chief Constable for financial resources consumed	288,442
296,561	**Total Expenditure**	**321,842**
(16,688)	Fees, charges and other service income	(18,160)
8	Investment property income, net of revaluation movement	7
(187)	Interest and investment income	(925)
(167)	Finance Lease Income	(163)
(114,780)	Income from council tax	(122,629)
(37)	Capital Charge between PCC and Chief Constable - net	170
(167,303)	Government grants and contributions	(173,457)
(299,154)	**Total Income**	**(315,157)**
(2,593)	**Deficit on the Provision of services**	**(6,685)**

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

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

- IFRS 16 (Leases) – delay of implementation to 1st April 2024 and measurement requirements for sale and leaseback.
- IAS 1 – Classification of liabilities as Current or Non-current.
- IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- IAS7 & IFRS7 – additional disclosure requirements around supplier finance arrangements.

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

The implementation of IFRS 16 – Leases for Public Sector Accounts has been deferred, until 1 April 2024. 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. Further details on the likely impact of IFRS 16 can be found on note 19.

3. Critical judgements in applying accounting policies

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

PCC and Chief Constable group relationship

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

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

The approach taken to the accounts is that:

- Revenue expenditure directly relating to those budgets delegated to the CC for the provision of policing services is predominantly included within their Accounts.
- The CC's accounts have been charged with the expense associated with IAS19 pensions and accumulated staff absences as well as the current value of non-current assets consumed during the year and the CC's Balance Sheet contains the net liabilities associated with these items offset by unusable reserves as required by the Code of Practice.
- An intra-group transfer has been made between the CC's and the PCC's CIES offsetting the above expenses.
- Within the Group accounts, where material, a distinction is made between the transactions and balances of the Group and the PCC.
- The Chief Constable's Balance Sheet contains employment-related debtors, creditors and provisions together with all material inventories.

Post-employment benefits (pension liability)

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

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

West Mercia Police's share of PPL's Local Government Pension Scheme assets and liabilities were previously incorporated into the Accounts and shown separately in the tables in Note 36. As at 1 April 2022, the actuaries have now included these legacy PPL assets and liabilities into the Chief Constable's LGPS assets and liabilities in the tables in Note 36. Although the new Estates team are part of the Office of the Police and Crime Commissioner and their associated current 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 three segments: Policing Services, Police and Crime Commissioner and Youth Justice Services, as this is how the organisation monitors and manages its financial performance. Support service costs are reported as part of the services where they are monitored and managed.

The Net Cost of Policing Services has decreased by £22.273m compared to 2022/23, 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 PCC about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from those that have been estimated. The items in the Group's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

The basis of estimating the value of assets is referred to in the previous section. Assets are depreciated over their Useful Economic Lives (UEL), which is determined by external valuers, based on judgements, which include assumptions about the level of repairs and maintenance that will be incurred on individual assets. These estimates are important for example, if the UEL is reduced, depreciation charged to the CIES would increase and the carrying value of the asset would fall. It is estimated that the annual depreciation charge for buildings would increase by £0.133m for every year that useful lives were reduced.

The Net Book Value of Property, Plant and Equipment as at 31 March 2024 is £121.9m (£100.8m as at 31 March 2023). West Mercia valued £52.2m of property in 2023/2024, should this value increase or decrease by 1% it would have an impact of +/- £522k. New capital spend has been partly offset by reductions in asset valuations and depreciation.

Post-Employment Benefits (Pension Liability)

The basis of estimating the net liability to pay pension benefits to police officers and police staff is referred to in the previous section. This estimate depends on a number of complex judgements and assumptions around the discount rates used to calculate the pension liabilities. Any changes could have a material impact on the total liability of the pension funds. The actuaries provide illustrations of variations in assumptions to help the PCC and Chief Constable understand the potential impact of changes in mortality rates, retirement ages and expected returns on fund assets etc. The actuaries provide the Group with advice and illustrations of the potential impact of the changes in assumptions and these are set out at the end of Note 36.

Employee benefits

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

Provisions

The Group and Chief Constable held three provisions as at 31 March 2024. A Legal provision was created during 2023/24 for a value of £1.209m, during the year, £0.651m was used from the provision and the provision was increased by £0.473m at the end of the financial year to meet future liabilities. The provision balance as at 31st March 2024 was £1.031m

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.

In addition to the legal provision, two new provisions were created during 2023/24:

- A redundancy provision of £0.342m was created to fund redundancies expected in 2024/25 as a result of the force's management of change programme.
- A Scheme Sanction Charge provision was created for £0.852m to repay retired officers an amount which was incorrectly deducted from their lump sum payments upon retirement.

Further information regarding Provisions can be found in Note 29.

5. Material items of income and expenditure

The re-measurement of the net defined benefit liability in the Other Comprehensive Income and Expenditure section of the CIES is a gain of £15.1m, compared to a gain of £990.8m in 2022/23. 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 £22.2m to £2,006.1m at 31 March 2024. Further information regarding the Pensions Liabilities can be found in Note 36.

6. Events after the Reporting Period

The unaudited Statement of Accounts were issued by the Treasurer to the PCC on 31st May 2024. Events taking place after this date are not reflected in the financial statements or notes.

7. Adjustments between accounting basis and funding basis under regulations

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

	Usable Reserves		
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
2023/24	**£000**	**£000**	**£000**
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to or from Pensions Reserve)	(37,262)	0	0
Council tax (transfers to or from Collection Fund)	(143)	0	0
Accumulated Absence (transferred to the Accumulated Absences Reserve)	(2,644)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items charged to the CAA)	(10,086)	0	0
Total Adjustments to Revenue Resources	**(50,135)**	**0**	**0**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,339	(1,339)	0
Statutory provision for the repayment of debt (transfer from the CAA)	5,431	0	0
Capital expenditure financed from revenue balances (transfer to the CAA)	1,786	0	0
Total Adjustments between Revenue and Capital Resources	**8,556**	**(1,339)**	**0**
Adjustments to Capital Resources			
Application of capital receipts to finance capital expenditure	0	1,430	0
Application of capital grants to finance capital expenditure	16	0	0
Cash payments in relation to deferred capital receipts	0	(91)	0

Total Adjustments to Capital Resources	**16**	**1,339**	**0**
Total Adjustments - Group	**(41,563)**	**0**	**0**
Less: Chief Constable only adjustments			
Pensions Costs	37,411	0	0
Accumulated Absence	2,644	0	0
Total Adjustments – PCC	**(1,507)**	**0**	**0**

	Usable Reserves		
	Police Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**
2022/23	**£000**	**£000**	**£000**
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to or from Pensions Reserve)	(69,121)	0	0
Council tax (transfers to or from Collection Fund)	(622)	0	0
Accumulated Absence (transferred to the Accumulated Absences Reserve)	609	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items charged to the CAA)	(8,692)	0	0
Total Adjustments to Revenue Resources	**(77,826)**	0	0
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	463	(463)	0
Statutory provision for the repayment of debt (transfer from the CAA)	4,052	0	0
Capital expenditure financed from revenue balances (transfer to the CAA)	1,816	0	0
Total Adjustments between Revenue and Capital Resources	**6,331**	**(463)**	0
Adjustments to Capital Resources			
Application of capital receipts to finance capital expenditure	0	580	0
Application of capital grants to finance capital expenditure	5	0	0
Cash payments in relation to deferred capital receipts	0	(117)	0
Total Adjustments to Capital Resources	**5**	**463**	0
Total Adjustments - Group	**(71,490)**	**0**	**0**
Less: Chief Constable only adjustments			
Pensions Costs	68,173	0	0
Accumulated Absences	(609)	0	0
Total Adjustments - PCC	**(3,926)**	**0**	**0**

8. Usable Reserves

The PCC holds all of the Group's reserves. This note sets out the amounts set aside from the Police Fund Balances into earmarked reserves to provide financing for future expenditure plans and the amounts used from earmarked reserves to meet Police Fund expenditure in 2023/24.

PCC and Group Reserves	Balance at 1 April 2022 £000	Transfers out 2022/23 £000	Transfers in 2022/23 £000	Balance at 31 March 2023 £000	Transfers out 2023/24 £000	Transfers in 2023/24 £000	Balance at 31 March 2024 £000
Police Fund Reserve	**(7,500)**	0	0	**(7,500)**		(250)	**(7,750)**
Earmarked Reserves							
Budget Equalisation Reserve	**(2,028)**	1,225	(4,760)	**(5,563)**	4,657	(1,252)	**(2,157)**
Major Investigation	**(2,594)**	223	0	**(2,371)**	1,070	0	**(1,301)**
Investment in Infrastructure	**(1,398)**	498	(429)	**(1,329)**	0	(658)	**(1,987)**
Road Safety	**(675)**	0	(578)	**(1,253)**	74	0	**(1,179)**
YJS	**(377)**	0	(400)	**(777)**	0	(341)	**(1,118)**
PCC Initiatives	**(1,996)**	388	(1,868)	**(3,476)**	984	(1,124)	**(3,616)**
Legal & Insurance claims	**(1,445)**	1,427	(544)	**(562)**	911	(512)	**(163)**
Council Tax Collection Fund	**(332)**	332	0	**0**	0	0	**0**
Capital Investment Reserve	**0**	0	(2,033)	**(2,033)**	2,000	(383)	**(416)**
Total Earmarked Reserves	**(18,345)**	**4,093**	**(10,612)**	**(24,864)**	**9,696**	**(4,519)**	**(19,687)**
Capital Receipts Reserve	**0**	462	(462)	**0**	1,430	(1,430)	**0**
Capital Grants Reserve	**0**	0	0	0	0	0	0
Total Usable Reserves	**(18,345)**	**4,555**	**(11,074)**	**(24,864)**	**11,126**	**(5,949)**	**(19,687)**

Capital receipts and capital grants have been used to fund capital expenditure in 2023/24. Capital receipts received and used are shown above for transparency purpose although they are not shown in the MIRS as they were fully used in the year they were received (see also Note 20).

The purposes of the Earmarked Reserves are as follows:

- **General Reserve** has been created to meet unexpected, unusual and one-off events.
- **Budget Equalisation Reserve** has been created to manage risk around the timescales for delivery of the transformation and change programme and to provide flexibility in establishing strategies to manage future expected cost pressures from the level of future core grant funding.
- **Investment in Infrastructure Reserve** is held to support delivery of the Capital Programme and specific Estates projects.

- **Major Investigation** has been created to support the Force's work on a specific operation.
- **PCC Initiatives Reserve** is held to support the delivery of certain PCC initiatives.
- **Legal & Insurance claims** is held to address specific risks identified.
- **Road Safety Reserve** is the reserves held by the Safer Roads Partnership to be invested into road safety.
- **YJS** is the balance of the income and expenditure relating to the Youth Justice Service.
- **Council Tax Collection Fund Reserve** holds the Council Tax Reduction Grant (Local Tax Income Guarantee Scheme) payable to Forces to smooth the impact of a reduction in Council Tax collection rates during 2020/21 due to COVID-19; this was fully utilised in 2022/23.
- **Capital Investment Reserve** has been created during 2022/23 to fund future capital programmes that would otherwise require additional borrowing and subsequent increased future interest payments.

9. Unusable reserves

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

PCC 31 March 2023 £000	Group 31 March 2023 £000		PCC 31 March 2024 £000	Group 31 March 2024 £000
(19,010)	(19,010)	Revaluation Reserve	(18,862)	(18,862)
(17,036)	(17,036)	Capital Adjustment Account	(16,231)	(16,231)
(3,188)	(3,188)	Deferred Capital Receipts Reserve	(3,097)	(3,097)
(815)	(815)	Collection Fund Adjustment Account	(671)	(671)
(25)	1,983,960	Pension Reserve	0	2,006,121
0	5,164	Accumulated Absences Account	0	7,808
(40,074)	**1,949,075**	**Total Group Unusable Reserves**	**(38,861)**	**1,975,068**

(i) Revaluation Reserve

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

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

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

2022/23			2023/24	
£000	£000	**Group and PCC Balance as at 1 April**	£000	£000

	(15,992)			**(19,010)**
(7,795)		Upward revaluation of assets	(678)	
4,371		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	208	
	(3,424)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services** (Other Comprehensive Income and Expenditure)		**(470)**
227		Difference between fair value depreciation and historical cost depreciation	340	
179		Accumulated gains on assets sold or scrapped	278	
	406	Amount written off to the Capital Adjustment Account		**618**
	(19,010)	**Group and PCC Balance as at 31 March**		**(18,862)**

(ii) Capital Adjustment Account

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

2022/23			**2023/24**	
£000	**£000**			
	(18,869)	**Group and PCC Balance as at 1 April**		**(17,036)**
		Reversal of items relating to capital expenditure debited or credited to the CIES:		
6,460		Charges for depreciation and impairment of non-current assets	6,628	
(37)		Revaluation losses (gains) on PPE	126	
1,718		Amortisation of intangible assets	1,574	
137		Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	1,089	
0		Revenue expenditure funded from capital under statute	44	
0		Donated Assets	0	
	8,278	**Net written out amount of the cost of non-current assets consumed in the year**		9,461
		Capital financing applied in the year:		
(580)		Use of the Capital Receipts Reserve to finance new capital expenditure	(1,430)	

(5)		Capital grants and contributions credited to the CIES that have been applied to capital financing	(16)	
0		Application of grants to capital financing from the Capital Grants Unapplied Account	0	
(4,052)		Statutory provision for the financing of capital investment charged against the General Fund	(5,431)	
(345)		Capital expenditure funded from Reserves	(242)	
(1,471)		Capital expenditure charged against the General Fund	(1,544)	
	(6,453)	**Capital financing applied in the year**		(8,663)
	8	Movements in the market value of Investment Properties debited or credited to the CIES		7
	(17,036)	**Group and PCC Balance as at 31 March**		**16,231**

(iii) Pensions Reserve

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

PCC 2022/23 £000	**Group 2022/23 £000**		**PCC 2023/24 £000**	**Group 2023/24 £000**
8,959	**2,905,618**	**Balance as at 1 April**	**(25)**	**1,983,960**
(9,932)	(990,779)	Re-measurement of the net defined benefit liability (Other Comprehensive Income and Expenditure)	175	(15,100)
1,734	149,217	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	654	118,141
(786)	(80,096)	Employer's pensions contributions and direct payments to pensioners payable in the year	(804)	(80,880)
(25)	**1,983,960**	**Balance as at 31 March**	**0**	**2,006,121**

(iv) Collection Fund Adjustment Account

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

2022/23 £000		2023/24 £000
(1,437)	**Group and PCC Balance as at 1 April**	**(815)**
622	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	144
(815)	**Group and PCC Balance as at 31 March**	**(671)**

(v) Accumulated Absences Account

The cost of employment benefits and the associated Accumulated Absences liability is shown in the Chief Constable's Accounts. The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. time off in lieu carried forward at 31 March 2024. Statutory arrangements require that the impact on the Police Fund Balance is neutralised by transfers to or from the Account.

2022/23			2023/24	
£000	**£000**		**£000**	**£000**
	5,773	**Group and Chief Constable Balance as at 1 April**		**5,164**
(5,773)		Cancellation of accrual made at the end of the preceding year	(5,164)	
5,164		Amount accrued at the end of the current year	7,808	
	(609)	Amount by which officer remuneration charged to the CIES net cost of policing services on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		2,644
	5,164	**Group and PCC Balance as at 31 March**		**7,808**

(vi) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Group does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The balance relates to the Finance Lease arrangement with Hereford & Worcester Fire Authority amounting to £3.097m (see Notes 19 (i) and 24) and to the disposal of the West Mercia Police share of the Central Counties' Air Operations Unit helicopter which ended in 2023/24 (Note 14).

2022/23 £000		2023/24 £000
(3,305)	**Balance as at 1 April**	**(3,188)**

117	Transfer to the Capital Receipts Reserve upon receipt of cash	91
(3,188)	**Balance as at 31 March**	**(3,097)**

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

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

The Intra-Group funding arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the PCC and Chief Constable. The guarantee from the PCC in respect of the resources consumed by the Chief Constable in 2023/24 amounts to £288.4m (£268.7m in 2022/23). This is included within the Net Cost of Policing Services in the CIES, in line with current best practice for the preparation of Police Accounts.

The PCC's Balance Sheet includes an Intra-Group Debtor of £5.719m (£8.203m in 2022/23) being the net balance of funding not settled between the PCC and Chief Constable as at the 31 March; this relates mainly to the balance of Debtors and Creditors shown in each of the single-entity accounts as at this date.

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

2022/23 £000		2023/24 £000
298,368	Chief Constable's Cost of Services	273,381
76,616	Interest on the net defined benefit liability	90,679
(38,740)	Home Office grant towards the cost of retirement	(35,563)
(980,847)	Re-measurement of the net defined benefit liability	(15,275)
(644,603)	**Resources consumed**	**(313,222)**
	Items removed through the MIRS	
912,674	Movement in pensions liability	(22,136)
609	Movement in accumulated absences liability	(2,644)
268,680	**Total resources consumed for the year by the Chief Constable and funded by the PCC**	**288,442**

11. Financing and Investment Income and Expenditure

PCC 2022/23 £000	Group 2022/23 £000		PCC 2023/24 £000	Group 2023/24 £000
905	905	Interest payable	1,574	1,574
(187)	(187)	Interest receivable	(925)	(925)
(167)	(167)	Other interest receivable – Finance Lease income	(163)	(163)
8	8	Income and expenditure in relation to investment properties and changes in their fair value	7	7
559	**559**	**Total**	**493**	**493**

237	76,853	Net interest on the net defined benefit liability	(17)	90,661
796	**77,412**	**Total for the PCC/Group**	**476**	**91,154**

12. Taxation and Non-Specific Grant Income

2022/23 £000	2022/23 £000		2023/24 £000	2023/24 £000
	(115,401)	Council tax precepts		**(122,629)**
(81,292)		Police Grant	(81,576)	
(52,115)		Ex-DCLG Formula Funding	(52,296)	
(9,199)		Local Council Tax Support Grant	(9,199)	
(2,775)		Council Tax Freeze Grant	(2,776)	
0		PUP Grant	(4,274)	
0		Local Income Tax Guarantee Grant	0	
(5)		Capital Grants	(16)	
0		Capital Contributions	0	
	(145,386)	Total Non-specific Grant Income		**(150,137)**
	(260,787)	**Taxation and Non-Specific Grant Income - PCC**		**(272,766)**
	(38,740)	Home Office grant towards the cost of retirement benefits		(35,563)
	(299,527)	**Taxation and Non-Specific Grant Income – The Group**		**(308,329)**

13. Grant Income

The PCC and Group credited the following grants, contributions and donations to the CIES in 2023/24:

2022/23 £000		2023/24 £000
(260,787)	**Credited to Taxation and Non Specific Grant Income - PCC, as per Note 12**	**(268,635)**
(38,740)	Home Office Grant towards the cost of retirement benefits in Chief Constable Accounts	(35,563)
(299,527)	**Credited to Taxation and Non Specific Grant Income - Group**	**(304,198)**
	Credited to Services	
(2,142)	Home Office Special Grant for Special Operation	(1,693)
(3,016)	Speed Awareness Contributions	(3,000)
(2,560)	Victim Support Services	(3,518)
(2,112)	Police Pensions Specific Grant to support the increase in employer contributions to 31% from 1 April 2019	(2,112)
(2,478)	Police Uplift Programme Grant (specific grant to fund additional police officers in local policing)	(4,274)
(1,088)	Pay Award Grant	(7,001)
(1,075)	Special Branch Grant	0

(1,305)	Apprenticeship Levy Grant for Training Costs	(891)
(1,603)	OPCC Additional Grant Funding from HO and MoJ	(1,510)
(1,457)	Youth Justice Board – Effective Practice Grant	(1,539)
(1,300)	Safer Streets Grant	(627)
(1,782)	Other Low Value Grants	(1,429)
(21,918)	**Total Credited to Services – PCC and Group**	**(27,594)**

The Group received a revenue grant in 2023/24 amounting to £1.693m from the Home Office relating to Operation Lincoln (£2.142m in 22/23) which is a special police investigation set up to explore whether there is evidence to support a criminal case against Shrewsbury and Telford NHS Hospital Trust or any individual involved.

Speed Awareness Contributions amounting to £3.0m in 2023/24 were also received (£3.016m in 22/23). This income is received when individuals attend road safety courses, the group receive a proportion of the penalty fee, which is then ring-fenced to use on road safety measures within our communities.

14. Pooled budgets and joint operations

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:

2022/23		2023/24
£000		£000
(16,284)	Contribution from West Midlands Police	(16,545)
(4,683)	Contribution from West Mercia Police	(5,080)
(4,549)	Contribution from Staffordshire Police	(4,935)
(2,274)	Contribution from Warwickshire Police	(2,467)
(2,399)	WMROCU Grant	(2,399)
(280)	National Cyber Security Programme funding	(280)
(238)	Regional Asset Recovery Team grant	(242)
(26)	ROCU Reserves	(275)
(1,096)	Undercover Online Operatives (UCOL) Funding	(1,096)
(122)	Threat Assessment Team (ROCTA) Funding	(153)
(72)	Disruption Team Funding	(256)
(250)	Dark Web Funding	(250)

(129)	Operational Security (OPSY) Income	0
(164)	Fraud Investigation	(153)
(442)	Illicit Cash Team	0
(33,008)	**Total funding provided to the WMROCU**	**(34,131)**
1,415	Regional Asset Recovery Team (RART)	1,792
244	RART – ACE team	243
696	Regional Cyber Crime Unit	880
292	Regional Fraud Team	797
1,301	Regional Prisons Intelligence Unit	1,429
91	Operational Security (OPSY)	78
45	Regional Government Agency Intelligence Network (GAIN)	22
1,417	Command Team	1,429
6,596	Regional Confidential Unit	6,699
275	Posts created from underspend	0
781	TIDU – Technical Intelligence	694
417	Enabling Services	456
5,791	Serious and Organised Crime Unit (SOCU)	6,553
8,421	Regional Surveillance Unit (FSU)	8,657
283	Threat Assessment Team (ROCTA)	336
72	Disruption Team	288
262	Dark Web	48
4,167	Other Regional Operations	3,730
442	Illicit Cash Team	0
0	Additional Contribution to Reserves	0
33,008	**Total Expenditure**	**34,131**
0	**Total Net Expenditure**	**0**

File Storage

File storage, a shared service delivered to Warwickshire Police, generated income of £0.061m (£0.059m 2022/23).

National Police Air Service (NPAS)

NPAS was set up by the Home Office with effect from 2 October 2012 with administration of the service being provided by the Chief Constable of West Yorkshire. NPAS does not constitute a jointly controlled operation and so the PCC only accounts for the expense of payments to NPAS amounting to £0.784m in 2023/24, £0.738m in 2022/23) and not for a share of the assets or liabilities.

As part of the transfer arrangements, the PCC received 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 has now been paid, with the final payment of £0.02m (discounted value of £0.014m) being received in 2023/24.

15. 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 2023/24 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	
	2022/23	2023/24	2022/23 £000	2023/24 £000
£0 - £20,000	3	3	29	18
£20,001 - £40,000	0	1	0	30
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	0	0	0
£150,001 +	0	0	0	0
Total	**3**	**4**	**29**	**48**

16. Officers' Remuneration

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

Senior Officer and Relevant Police Officer Emoluments:

		Salary, Fees & Allowances	Bonuses	Expenses Allowances	Benefits in Kind (e.g. car allowance)	Other Payments	Exit	Pension Contributions	Total
		£	£	£	£	£	£	£	£
Chief Constable – Pippa Mills – Note 1	2023/24	94,878	0	0	444	0	0	27,980	123,302
	2022/23	157,803	0	0	974	0	0	48,919	207,696
Chief Constable – Alex Murray – Note 1	2023/24	82,112	0	0	872	0	0	29,545	112,529
	2022/23	0	0	0	0	0	0	0	0
Deputy Chief Constable 1 – Note 2	2023/24	0	0	0	0	0	0	0	0
	2022/23	71,137	0	0	1,824	4,041	0	22,053	99,055
Deputy Chief Constable 2 – Note 2	2023/24	68,612	0	0	0	0	0	17,180	85,7912
	2022/23	69,955	0	0	541	0	0	21,686	92,182

Deputy Chief Constable 3 - Note 3	2023/24	69,884	0	0	805	0	0	22,062	92,751
	2022/23	0	0	0	0	0	0	0	0
Asst Chief Constable 1	2023/24	126,068	0	0	791	0	0	39,081	165,940
	2022/23	120,330	0	0	1,969	0	0	37,302	159,601
Asst Chief Constable 2 – Note 4	2023/24	55,658	0	0	0	516	0	17,254	73,428
	2022/23	0	0	0	0	0	0	0	0
Asst Chief Constable 3 – Note 5	2023/24	57,820	0	0	0	0	0	14,971	72,791
	2022/23	107,167	0	0	2,764	0	0	33,222	143,153
Director of Business Services	2023/24	126,068	0	0	5,061	0	0	22,566	153,695
	2022/23	120,330	0	0	5,222	0	0	19,734	145,286
Director of Commercial Services	2023/24	120,797	0	362	759	0	0	21,623	143,541
	2022/23	105,007	0	0	118	0	0	17,221	122,346
Police & Crime Commissioner	2023/24	78,400	0	0	0	0	0	14,034	92,434
	2022/23	78,242	0	0	0	0	0	12,832	91,074
Deputy PCC 1 – Note 6	2023/24	0	0	0	0	0	0	0	0
	2022/23	9,377	0	0	0	0	0	1,538	10,915
Deputy PCC 2 – Note 7	2023/24	36,586	0	0	0	0	0	6,549	43,135
	2022/23	18,801	0	0	0	0	0	3,083	21,884
Chief Executive to the PCC	2023/24	96,233	0	0	0	0	0	17,226	113,459
	2022/23	91,555	0	0	0	0	0	15,105	106,660
Deputy Chief Executive to the PCC – Note 8	2023/24	65,197	0	0	0	0	0	11,670	76,868
	2022/23	17,432	0	0	0	0	0	2,859	20,291
Treasurer to the PCC	2023/24	76,641	0	0	380	0	0	13,706	90,728
	2022/23	70,815	0	0	0	0	0	11,614	82,429

Notes:	
1	Chief Constable Mills left West Mercia Police 23/10/2023. DCC Murray acting to T/CC from 7/10/2023.
2	Deputy Chief Constable 1 left organisation on 18th October 2022 and Deputy Chief Constable 2 joined 19th September 2022.
3	ACC acting to T/DCC from 7/10/2023.
4	Ch. Supt acting to T/ACC from 7/10/2023
5	New ACC from 7/3/2022, acting to T/DCC from 7/10/2023
6	Deputy PCC left 03/08/2022
7	Deputy PCC started 26/09/22 – 2022/23 reflects part year salary
8	Deputy Chief Exec started 26/9/2022 - 2022/23 reflects part year salary

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) and including Senior Officers listed above were paid the following amounts:

Number of Employees			Number of Employees	
Group 2022/23	PCC 2022/23	Remuneration Band	Group 2023/24	PCC 2023/24
224	3	£50,000 - £54,999	424	7
135	1	£55,000 - £59,999	151	2
74	1	£60,000 - £64,999	134	1
18	0	£65,000 - £69,999	49	2
13	2	£70,000 - £74,999	13	0
12	2	£75,000 - £79,999	13	3
4	0	£80,000 - £84,999	9	1
5	0	£85,000 - £89,999	4	0
5	1	£90,000 - £94,999	7	0
1	0	£95,000 - £99,999	1	1
0	0	£100,000 - £104,999	2	0
2	0	£105,000 - £109,999	1	0
1	0	£110,000 - £114,999	0	0
0	0	£115,000 - £119,999	0	0
2	0	£120,000 - £124,999	2	0
0	0	£125,000 - £129,999	3	0
0	0	£150,000 - £154,999	1	0
1	0	£155,000 - £159,999	0	0
0	0	£165,000 - £169,999	0	0
497	**10**	**Total**	**814**	**17**

17. External Audit Costs

The Group's Proposed External Audit Fee for 2023/24 is £150,657 (£67,619 in 2022/23) in relation to the Statement of Accounts statutory audit provided by the Group's external auditors, Grant Thornton. The PCC's share of the audit fee is £95,859 (£43,287 in 2022/23) and the Chief Constable's share is £54,798 (£24,332 in 2022/23).

The actual amounts charged to the CIES in 23/24 amount to £178,832 for the Group, £111,542 for the PCC, and £67,290 for the Chief Constable. These figures include the final fee variations for 21/22 and the estimated fee variation for 2022/2023. The PCC costs also include a difference between the accrual amount and the actual amount charged for 2021/2022 due to late notification of fee variations.

Bishop Fleming have been appointed as the new External Auditors for the group for Financial Year ending 31st March 2024 following a competitive re-tendering process completed by the Public Sector Audit Appointments (PSAA).

Grant Thornton or Bishop Flemming provided no non-audit services during the year (nil in 2022/23).

18. Related Parties

The PCC and the Chief Constable are intrinsically related. The relationship is defined in the Policing Protocol and the PCC provides funding to meet expenditure incurred by the Chief Constable. A full explanation of this relationship is set out in Note 3 to the Accounts.

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

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

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

The PCC and Chief Constable participate in various partnerships with a range of public bodies. As set out in Note 14, a file storage service is provided to Warwickshire Police during 2023/24, resulting in income to West Mercia amounting to £0.61m (2022/23: £0.59m).

The Deputy PCC is a County Councillor for Worcestershire and during 2022/2023 was a District Councillor in Worcester City Council. No personal benefit is obtained from these positions. In 2022/23, the Group incurred spend of £1.402m (£0.398m in 2021/22) with Worcestershire County Council (rental, room hire, grants and other items of general expenditure) and £0.365m with Worcester City Council (mainly business rates and grants).

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

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

	Expenditure	Income
	£000	£000

Local Authorities in the Policing Area	6,523	(2,000)
Other Local Authorities	183	(4)
Seconded Police Officers	3,710	(3,445)
Other Police Forces	1,108	(1,108)
Total	**11,524**	**(6,567)**

There are no other related party transactions for the PCC and Chief Constable other than those set out above, which require adjustment of or disclosure in the financial statements or the accompanying notes. All contracts have been entered into in compliance with the Scheme of Delegation and Financial and Contract Regulations. The following table shows the seven suppliers with which the Group incurred the greatest expenditure in 2023/24:

	Expenditure £000
Speller-Metcalfe Limited	15,101
Talent International (UK) Limited	4,554
CDW Limited	3,703
Home Office Accounting Officer	3,002
West Mercia Energy	2,887
Telefonica UK Ltd (Prev Cancom UK Ltd)	2,451
West Mercia Rape And Sexual Abuse Centre	2,398
Insight Direct (UK) Ltd	2,282
Specialist Computer Centres Plc	2,065
Virgin Media Business Limited	2,024

19. Leases

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

The Group as Lessee

The PCC occupies 21 premises (20 in 2022/23) on an operating lease basis. The lease payments due in future years are:

31 March 2023 £000		**31 March 2024 £000**
683	Not later than one year	969
2,533	Later than one year and not later than five years	2,595
1,552	Later than five years	618
4,768	**Total PCC and Group**	**4,182**

The amount paid in 2023/24 was £0.848m (£0.723m in 2022/23).

The Group as Lessor

(i) Finance Lease

The PCC entered into a partnership with Hereford and Worcester Fire Authority (H&WFA) to build a joint facility in Bromsgrove. The costs of the build were met fully by West Mercia PCC with H&WFA leasing its part of the building over an initial 30 year term, commencing with effect from 1 April 2014. This arrangement has been identified as a finance lease and has a remaining term of 21 years.

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

31 March 2023 £000		31 March 2024 £000
	Finance Lease debtor (net present value of minimum lease payments):	
77	Current	81
2,712	Non-current	2,631
2,251	Unearned finance income	2,088
385	Unguaranteed residual value of property	385
5,425	**Gross investment in the lease**	**5,185**

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

Gross Investment in the Lease	Minimum Lease Payments		Gross Investment in the Lease	Minimum Lease Payments
31 March 2023 £000	31 March 2023 £000		31 March 2024 £000	31 March 2024 £000
240	240	Not later than one year	240	240
960	960	Later than one year and not later than five years	960	960
4,225	3,840	Later than five years	3,985	3,600
5,425	**5,040**	**Total PCC and Group**	**5,185**	**4,800**

(ii) Operating Leases

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

- for the tenancy of Hindlip Farm (land only);
- for the provision of community services

- for the provision of equipment on masts (a change in legislation now means only a minimal amount can be charged and no income was received for these in 2023/24).

The lease payments receivable in future years are:

31 March 2023 £000		31 March 2024 £000
91	Not later than one year	52
332	Later than one year and not later than five years	210
0	Later than five years	0
423	**Total PCC and Group**	**262**

The amount received in 2023/24 was £0.061m (£0.091m in 2022/23).

IFRS16

The introduction of IFRS 16 is a significant change governing the treatment of leases. Directed at improving balance sheet transparency, IFRS 16 replaces the previous IAS 17 standard, which allowed considerable discretion in determining whether a lease was an ‘operating lease’ (which could be held off the balance sheet) or a ‘finance lease’ which could not. Under IFRS 16 almost all leases will now have to be treated as a finance lease, effectively removing opportunity for off balance sheet accounting. West Mercia Police have chosen not to implement IFRS 16 until the statutory deadline of 1st April 2024, and therefore have not included them within our 2023/24 financial statements, however the likely impact would have been;

Summary		
	Recognise asset and liability	
Dr	Right of use asset	£ 4,419,483
Cr	Lease Liability	-£ 4,419,483
	Annual Depreciation	
Dr	Depreciation I&E	£ 574,612
Cr	Depreciation BS	-£ 574,612

20. Capital Expenditure and Capital Financing

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

2022/23		2023/24

£000	Opening Capital Financing Requirement – PCC and Group	£000
60,114		**69,613**
	Capital investment:	
15,834	Property, plant and equipment	29,306
118	Intangible assets	255
0	Revenue expenditure funded from capital under statute	43
	Sources of finance:	
(580)	Capital receipts	(1,430)
(5)	Government grants and other contributions	(16)
	Sums set aside from revenue:	
(1,471)	Direct revenue contributions	(1,544)
(345)	Contribution from Reserves	(242)
(4,052)	Minimum Revenue Provision	(5,431)
69,613	**Closing Capital Financing Requirement – PCC and Group**	**90,554**
	Explanation of movements in the year	
13,551	Increase in underlying need to borrow in respect of capital expenditure not financed by other means (and unsupported by government financial assistance)	26,372
(4,052)	Decrease in underlying need to borrow in respect of Minimum Revenue Provision for the year	(5,431)
9,499	**Increase/(Decrease) in Capital Financing Requirement**	**20,941**

Capital Commitments

As at 31 March 2024, the Group had capital commitments of £7.730m (£8.112m as at 31 March 2023), relating mainly to spend on Vehicles (£1.895m), Estates (£2.629m) and ICT hardware (£3.205m) that had been ordered during 2023/24 but had not been delivered as at 31 March 2024.

21. Property, Plant and Equipment (PPE)

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

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

PCC and Group Movements in 2023/24	Land & Buildings	Vehicles	Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2023	**66,042**	**14,711**	**23,038**	**3,184**	**18,024**	**124,999**
Additions	885	2,289	1,732	1	24,399	29,306
Transfer from / (to) Assets under Construction	523	0	73	34	(630)	0
Transfer from / (to) Surplus Assets	0	0	0	0	0	0
Transfer from / (to) Assets Held for Sale	0	0	0	(230)	0	(230)

Donated Assets	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,568)	0	0	38	0	(1,530)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(126)	0	0	0	0	(126)
De-recognition – disposals	0	(1,637)	0	(1,327)	0	(2,964)
De-recognition – donated	0	0	0	0	0	0
De-recognition – other	0	0	(6,069)	0	0	(6,069)
At 31 March 2024	**65,756**	**15,362**	**18,774**	**1,700**	**41,794**	**143,386**
Less Accumulated Depreciation and Impairment						
At 1 April 2023						
Depreciation charge	**(1,260)**	**(9,581)**	**(13,331)**	**0**	**0**	**(24,171)**
Depreciation written out to the Revaluation Reserve	(340)	0	0	0	0	(340)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,640)	(1,555)	(3,433)	0	0	(6,628)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,000	0	0	0	0	2,000
Transfer (from) / to Assets Held for Sale	0	0	0	0	0	0
De-recognition – disposals	0	1,597	0	0	0	1,597
De-recognition – donated	0	0	0	0	0	0
De-recognition – other	0	0	6,069	0	0	6,069
At 31 March 2024	**(1,239)**	**(9,539)**	**(10,695)**	**0**	**0**	**(21,473)**
Net book value at 31 March 2024	**64,517**	**5,823**	**8,079**	**1,700**	**41,794**	**121,913**

PCC and Group Movements in 2022/23	**Land & Buildings**	**Vehicles**	**Plant, Furniture & Equipment**	**Surplus Assets**	**Assets Under Construction**	**Total PPE**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation at 1 April 2022	**63,899**	**13,216**	**27,621**	**2,291**	**9,633**	**116,660**
Additions	648	2,644	2,671	0	9,871	15,834
Transfer from / (to) Assets under Construction	1,408	0	71	0	(1,480)	0
Transfer from / (to) Assets Held for Sale	(1,082)	0	0	1,082	0	0
Donated Assets (see Telephony note above)	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,132	0	0	61	0	1,193

Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	37	0	0	0	0	37
De-recognition – disposals	0	(1,149)	0	(250)	0	(1,400)
De-recognition – donated	0	0	0	0	0	0
De-recognition – other	0	0	(7,325)	0	0	(7,325)
At 31 March 2023	**66,042**	**14,711**	**23,038**	**3,184**	**18,024**	**124,999**
Less Accumulated Depreciation and Impairment						
At 1 April 2022	**(1,672)**	**(9,523)**	**(16,929)**	**0**	**0**	**(28,124)**
Depreciation charge						
Depreciation written out to the Revaluation Reserve	(227)	0	0	0	0	(227)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,593)	(1,141)	(3,727)	0	0	(6,460)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,232	0	0	0	0	2,232
Transfer (from) / to Assets Held for Sale	0	0	0	0	0	0
De-recognition – disposals	0	1,083	7,325	0	0	8,408
De-recognition – donated	0	0	0	0	0	0
De-recognition – other	0	0	0	0	0	0
At 31 March 2023	**(1,260)**	**(9,581)**	**(13,331)**	**0**	**0**	**(24,171)**
Net book value at 31 March 2023	**64,782**	**5,130**	**9,707**	**3,184**	**18,024**	**100,828**

Revaluations

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

In 2021/22 statement of accounts, a prior period adjustment was required relating the valuation of Land and Buildings, therefore West Mercia Police took the decision in 2022/23 to have 100% of our estate valued to ensure the accuracy of the valuations being placed on our Land and Buildings. In 2023/24, West Mercia Police valued 40% of the operational buildings in our estate.

2022/23 PCC and Group		**2023/24 Land and buildings**
£000		**£000**

0	Carried at current value at 31 March 2024	52,161
64,782	Carried at current value at 31 March 2023	12,356
64,782	**Total Valuations**	**64,517**

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

2022/23 PCC and Group		2023/24 PCC and Group
£000		
3,184	Carried at current value at 31 March 2023	1,700
0	Carried at current value at 31 March 2022	0
3,184	**Total Valuations**	**1,700**

Vehicles of £5.823m and Plant Furniture & Equipment of £8.078m are carried at Depreciated Historic Cost. Assets under Construction of £41.794m are held at Historic Cost.

22. Investment Properties

No rental income has been accounted for in 2023/24 from Evesham Customer Contact Centre (£0.000m in 2022/23). The tenant vacated the property during 2021/22 and no new tenant has yet been found. There are no restrictions on the PCC's ability to realise the value inherent in its investment property or on the PCC's right to the remittance of income and the proceeds of disposal. The PCC has no contractual obligations to purchase, construct or develop investment property or undertake repairs, maintenance or enhancement. The following table summarises the movement in the current value of investment properties over the year, measured using significant observable inputs (Level 2 of the current value hierarchy):

2022/23 £000		2023/24 £000
277	Balance at start of the year – PCC and Group	269
(8)	Net gains/losses from current value adjustments	(7)
269	**Balance at end of the year – PCC and Group**	**262**

23. Intangible Assets

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

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

2022/23 Software £000		2023/24 Software £000
	Balance at start of year – PCC and Group	
9,896	Gross carrying amounts	9,317
(3,734)	Accumulated amortisation	(4,755)
6,162	**Net carrying amount at start of year**	**4,562**
118	Additions - purchased	255
0	Additions – transfer from Assets Under Construction	0
0	Disposals	0
(698)	De-recognition – other	(1,332)
(1,718)	Amortisation for the period	(1,574)
698	De-recognition depreciation – other	1,332
4,561	**Net carrying amount at end of year**	**3,243**
	Comprising:	
9,317	Gross carrying amount	8,240
(4,755)	Accumulated amortisation	(4,998)
4,562	**Balance at end of the year – PCC and Group**	**3,242**

24. Long-Term Debtors

This note shows money owed to the Group and PCC for funding and services provided on or before 31 March 2024 where the money will be received in excess of one year from this date. The balance mainly relates to the net investment in the Finance Lease in respect of the partnership with Hereford and Worcester Fire Authority (H&WFA) to build a joint facility in Bromsgrove (£3.174m), as explained in Note 19 (i) and NPAS's liability to the PCC in respect of the disposal of the helicopter as explained in Note 14. These two items are matched by balances held as Deferred Capital Receipts.

2022/23 £000		2023/24 £000
3,376	**Balance at start of year**	**3,262**
(29)	Pre-payment of rent for Pershore Police Station for 2022/23 moved to short term debtors	0
(14)	NPAS – Helicopter	0
(73)	Settlements relating to the Finance Lease	(78)
2	Other minor additions / (repayments)	0
3,262	**Total**	**3,184**

25. Assets Held for Sale

An asset rationalisation plan has been developed by the OPCC and assets that potentially could be disposed of have been identified, however, the implementation of the plan is still at any early stage and no properties classed as held for sale were sold during 2023/24 (nil 2022/23). An asset previously held as surplus has now been classified as held for sale, amounting to £0.230m as at 31 March 2024. Further to this an annual impairment review is carried out.

26. Debtors and other current assets

This note shows money owed to the Group and PCC for funding and services provided on or before 31 March 2024 where the money has not been received by this date. Further information regarding Debtors is shown in Notes 30 and 31 – Financial Instruments.

Inventories amounting to £0.811m (£0.785m in 2022/23) are now shown separately on the balance sheet.

31 March 2023 £000		31 March 2024 £000
785	Inventories	811
1,076	Trade Receivables	1,304
8,473	Prepayments	9,047
32,098	Other Receivables	19,963
42,432	**Group Debtors**	**31,125**
(5,685)	**Less** Chief Constable Debtors: Prepayments	(160)
(15,937)	**Less** Chief Constable Debtors: Other receivables	(9,579)
20,810	**PCC Debtors**	**21,386**

27. Cash and Cash Equivalents

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

31 March 2023 £000		31 March 2024 £000
26	Cash held by the Group	27
3,747	Bank current accounts	714
0	Short term deposits	4,000
3,773	**Total Group and PCC**	**4,741**

28. Creditors

This note shows money owed by the Group and PCC for goods and services purchased and received on or before 31 March 2024 where the money has not been paid by this date. Further information regarding Creditors is shown in Note 30 – Financial Instruments.

31 March 2023 £000		31 March 2024 £000
(2,255)	Trade Payables	(2,254)

(38,842)	Other Payables	(36,304)
(41,097)	**Group Creditors**	**(38,558)**
17,374	**Less** Chief Constable Creditors	21,852
(23,723)	**PCC Creditors**	**(16,706)**

29. Provisions and Contingent Liabilities

Termination Benefits

During 2023/24 a Management of Change programme was initiated, which may result in staff redundancies if redeployment opportunities are unsuccessful. As the decision to progress this option was taken during 2023/24, a provision has been created to account for the likely costs of any redundancy payments required.

	Termination Benefits
	£000
Balance at 1 April 2023	**0**
Additional provisions made in 2023/24	(342)
Amounts used in 2023/24	0
Balance at 31 March 2024 for the Group and Chief Constable	**(342)**

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 2023	**(1,209)**
Additional provisions made in 2023/24	(473)
Amounts used in 2023/24	651
Balance at 31 March 2024 for the Group and Chief Constable	**(1,031)**

Scheme Sanction Charge Provision

A provision has been created during 2023/24 to provide for the repayment of Scheme Sanction Charges to retired officers. The Scheme Sanction Charges had been deducted from some Pension Lump Sums, which this treatment is not consistent with national guidance.

	SSC Provision
	£000

Balance at 1 April 2023	**0**
Additional provisions made in 2023/24	(852)
Amounts used in 2023/24	0
Balance at 31 March 2024 for the Group and Chief Constable	**(852)**

No other provisions were charged to the CIES in 2023/24 in respect of events or decisions which are likely to give rise to payments in the future.

Contingent Liability

In respect of the McCloud Pension case, claimants have lodged claims for compensation under two active sets of litigation, Aarons and Penningtons. 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 bought 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. As at 31 March 2024, it is not possible to reliably estimate the extent or likelihood of Penningtons claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

30. Financial Instruments

Categories of Financial Instruments

The PCC holds simple financial instruments (investments (cash) and borrowings), which is reflected in the scope of this Note to the Accounts. Two temporary loans amounting to £10m were taken out with West Yorkshire Fire & Rescue Service (£5m) and Wokingham Borough Council (£5m) during March 2024, both loans will be settled in April 2024. Additional long term borrowing amounting to £30m was made with the Public Works Loan Board (PWLB) in 2023/24, £10m with a 3yr maturity, £10m with 5yr maturity and £10m with 6.5yr maturity. £5m of previous long term PWLB loan had matured during 2023/24.

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

Financial Assets	**Long Term**		**Current**	
	Investments	**Debtors**	**Investments / Cash**	**Debtors**
As at 31 March 2024	**£000**	**£000**	**£000**	**£000**
Fair value through profit or loss	0	0	0	0
Amortised cost (previously loans and receivables)		3,097	4,741	13,646
Fair value through other comprehensive income	0	0	0	0

Debtors that are not financial instruments (taxes and payments in advance)	0	87	0	17,251

	Long Term	**Current**

Financial Assets As at 31 March 2023	Investments £000	Debtors £000	Investments / Cash £000	Debtors £000
Fair value through profit or loss	0	0	0	0
Amortised cost (previously loans and receivables)	0	3,176	3,773	24,515
Fair value through other comprehensive income	0	0	0	0
Debtors that are not financial instruments (taxes and payments in advance)	0	86	0	17,916

Financial Liabilities As at 31 March 2024	Long Term		Current	
	Borrowings £000	Creditors £000	Borrowings £000	Creditors £000
Fair value through profit or loss	0	0	0	0
Amortised cost	53,565		19,715	24,475
Creditors that are not financial instruments (taxes, National Insurance and prepayments)	0	0	0	11,068

Financial Liabilities As at 31 March 2023	Long Term		Current	
	Borrowings £000	Creditors £000	Borrowings £000	Creditors £000
Fair value through profit or loss	0	0	0	0
Amortised cost	32,746		18,086	30,835
Creditors that are not financial instruments (taxes, National Insurance and prepayments)	0	0	0	10,262

Income, Expense, Gains and Losses

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

	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
2023/24		
Interest Revenue: financial assets measured at amortised cost	(925)	0
Interest Expense Payable	1,574	0
2022/23		
Interest Revenue: financial assets measured at amortised cost	(187)	0
Interest Expense Payable	905	0

Fair Value of Assets and Liabilities

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

- estimated interest rates at 31 March 2024 of 4.07% for loans from the Public Works Loans Board (PWLB);
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value;
- discount rates of between 4.61% and 5.38% for Arlingclose's calculation of fair value of PWLB loans, based on local authority bonds in issue;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value;
- as the Salix loans are interest free the carrying amount is equal to the fair value amount;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount (equal to the carrying amount shown in the table above).

The fair values calculated are as follows:

PCC and Group	31 March 2024		31 March 2023	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities - PWLB	62,732	59,850	42,550	38,300
Financial Liabilities – Short-term, temporary borrowing	10,533	10,000	8,219	8,000
Financial Liabilities – Salix	14	14	63	63
Total Borrowing	**73,279**	**69,864**	**50,832**	**46,363**

Fair values are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions. A calculation of the fair value amount is supplied by the PWLB, using redemption rates, however, IFRS13 requires a different basis to be used and the fair value figures in the table have been calculated by the PCC's Treasury Advisers, Arlingclose, using the basis above. The PWLB calculations were £62.7m (£41.9m as at 31 March 2023).

31. Nature and Extent of Risks Arising From Financial Instruments

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

- **Credit risk:** The possibility that other parties might fail to pay amounts due to the Group;
- **Liquidity risk:** The possibility that the Group might not have funds available to meet our commitments to make payments;

- **Market risk:** The possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements (the Group does not hold any share equity).

The Group has adopted CIPFA's Treasury Management in Public Services Code of Practice and set treasury management indicators to control financial instrument risks in accordance with CIPFA's Prudential Code. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund police services. Risk management is carried out by a Treasury Management Team, under policies approved by the PCC in the annual Treasury Management Strategy. The PCC provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Treasury Management Strategy can be found on the PCC's website.

Credit Risk

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

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

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

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

At 31 March 2024 the short- term investment (cash) balances were as follows:

2022/23		2023/24

£000		£000
3,773	- On call (available immediately) (variable rate)	741
0	- Repayable in 1 month (fixed rates)	4,000
0	- Repayable in 2 months (fixed rates)	0
3,796	**Total PCC and Group**	**4,741**

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

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

Receipts from customers for sales of services and recoupable costs from other public bodies are a relatively small part of the Group's income (£6.046m in 2022/23). There were old, overdue invoices amounting to £0.004m written off in 2023/24 relating to non-public bodies (£0.010m in 2022/23).

The Group generally allows a 30 day standard credit term for customers such that £0.454m of the £1.231m balance outstanding from customers at 31 March 2024 was past the point of 30 days from the date of invoice; this has increased slightly from 2022/23 (£1.112m outstanding balance with £0.274m past 30 days). This past due amount can be analysed as follows:

31 March 2022 £000		31 March 2024 £000
145	Less than 3 months	333
6	3 to 6 months	0
6	6 to 12 months	0
117	Over 12 months	121
274		**454**

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

	%	£000
Balance of debtors ledger at 31 March 2024		1,231
Historical experience of default	1	
Historical experience adjusted for market conditions at 31 March 2024	3	
Estimated maximum exposure to default at 31 March 2024		117
Estimated maximum exposure to default at 31 March 2023		102

Liquidity Risk

The Group has a cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Group has ready access to borrowings from the

PWLB or from other Local Authorities. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. There is a degree of risk that borrowing will need to be undertaken at a time of unfavourable interest rates, therefore, the position is monitored closely.

Borrowing limits for the Group are set in the Prudential Indicators prepared as a requirement of the CIPFA Prudential Code. Maximum borrowing limits for 2023/24 were set at £120m, due to the high level of the capital programme in the Medium Term Financial Strategy. Long-term PWLB borrowing was taken out in 2023/24 of £30m due to a unfavourable cash flow position and increased spend on the capital programme. Further external borrowing will be required during 2024/25 to fund the capital programme. The maturity analysis of the financial liabilities is as follows:

31 March 2023 £000		31 March 2024 £000
18,086	Less than one year – Short-term Borrowing (includes accrued interest of £0.533m at 31 March 2024 (£0.219 at 31 March 2023))	19,667
4,838	Between one and two years	9,149
7,843	Over two and up to five years	17,452
10,065	Over five and up to twenty years	17,011
10,000	Over 20 years	10,000
50,832	**Total Borrowing for the Group / PCC**	

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

Market Risk

The Group held £4.000m fixed rate short-term investments at year end and additional investments at various times during the year, depending on its cash flow position. Over a number of years, in line with changes to interest rates generally, there has been a significant reduction in interest rates and therefore a fall in overall investment returns. With the recent increases to the Bank of England Bank Rate, this is now changing and investment returns were much higher in 2023/24. It is expected these will gradually reduce in line with Bank of England base rate reductions. An increase in interest rates has the following effect on investments:

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

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

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

The approach to borrowing for capital projects is to delay borrowing and to temporarily use working capital balances for as long as possible. The present relative rates of interest for borrowing and lending mean that it is advantageous to delay long-term borrowing whilst the overall cash flow is positive. Capital expenditure temporarily funded from working capital up to 31 March 2024 was £17.807m (£19.000m at 31 March 2023) this has reduced by £1.193m, due to the increase in external borrowing and the use of a revenue contribution to capital of £1.544m to partly fund the capital programme during 2023/24.

Working capital balances as at 31 March 2024 are again at their lowest possible level and some of the capital expenditure in 2024/25 will require external borrowing during the year. There is a risk that rates may be adverse when and if this borrowing takes place, particularly with the increases in the Bank Rate. Monitoring medium and long-term borrowing costs versus the opportunity costs of not investing working capital mitigates this risk. The Treasury Management team has an active strategy for assessing interest rates exposure that feeds into setting the Medium Term Financial Plan and annual budget and is used to update the budget quarterly during the year. The working capital position and the potential timing of external borrowing are being monitored closely by the Treasury Management team in consultation with the Treasurer and the external Treasury advisers, Arlingclose.

It is calculated that if interest rates had been 1% higher for 2023/24 with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on fixed rate borrowings	475
Increase in interest receivable on fixed rate short term investments	(185)
Impact on Surplus or Deficit on then Provision of Services	**290**

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

32. Proceeds of Crime

The Act gives powers to the Police and Customs to seize cash derived from, or intended for use in crime, and to secure its forfeiture in civil magistrates' court proceedings. The PCC is currently holding cash totalling £1.640m.

33. Cash Flow Statement – Operating Activities

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

2022/23 £000		**2023/24 £000**
187	Interest received	925
(905)	Interest paid	(1,574)
(718)	**Total – Group and PCC**	**(649)**

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

PCC 2022/23 £000	**Group 2022/23 £000**		**PCC 2023/24 £000**	**Group 2023/24 £000**

(6,687)	(6,687)	Depreciation	(6,968)	(6,968)
37	37	(Downward)/Upward valuations	(126)	(126)
(1,718)	(1,718)	Amortisation of intangible assets	(1,574)	(1,574)
(7,465)	(8,243)	(Increase)/decrease in revenue creditors	4,842	3,007
6,777	18,502	Increase/(decrease) in revenue debtors	532	(10,566)
0	114	Increase/(decrease) in inventories	0	26
9,243	0	Movement in Intra-Group Funding	(11,279)	0
(948)	(69,121)	Movement in pension liability	150	(37,261)
0	(1,209)	Movement in provisions	0	(1,016)
(8)	(8)	Movement in value of Investment Properties	(7)	(7)
(316)	(316)	Carrying amount of non-current assets sold	(1,367)	(1,367)
(1,085)	**(68,649)**	**Total – Group and PCC**	**(15,797)**	**(55,852)**

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

2022/23 £000		2023/24 £000
463	Proceeds from the sale of property, plant and equipment	1,339
5	Capital Grants	16
468	**Total – Group and PCC**	**1,355**

34. Cash Flow Statement – Investing Activities

2022/23 £000		2023/24 £000
15,009	Purchase of property, plant and equipment and intangible assets	30,626
(463)	Proceeds from the sale of property, plant and equipment	(1,339)
(35)	Other receipts from investing activities	(50)
14,511	**Total – Group and PCC**	**29,237**

35. Cash Flow Statement – Financing Activities

2022/23 £000		2023/24 £000
(11,589)	Cash (receipts) / repayments of short- and long-term borrowing	(22,448)
(11,589)	**Total – Group and PCC**	**(22,448)**

36. Defined Benefit Pension Schemes

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

Participation in Pension Schemes

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

The Group participates in two defined benefit pension schemes:

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

- the Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) and the Police Pension Scheme 2015 (PPS) are administered by XPS Pensions Group. These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual pensions payments as they eventually fall due. The disclosures for the various Police Pension Schemes, including the Injury Awards Scheme, are consolidated in the notes below, as the rules of the schemes are not materially different. The income and expenditure incurred by the police pension schemes and how they are funded is summarised in the section covering the Police Pension Fund Account.

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

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.

In respect of the McCloud Pension case, claimants have lodged claims for compensation under two active sets of litigation, Aarons and Penningtons. 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 bought 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. As at 31 March 2024, it is not possible to reliably estimate the extent or likelihood of Penningtons 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 ended, 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 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.

Once the remedy window was closed, all McCloud related liabilities for eligible members for the period 2019 to 2022 were moved to the associated legacy schemes. This means all McCloud liabilities are held within the legacy scheme we expect the benefits to be paid from. This 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 had a past service gain of £38m in 2022/23. As the 1987 and 2006 schemes are closed for 2023/24, there are no current service costs for either the Police Pension Scheme or the New Police Pension Scheme for this financial year. All current service costs are now shown under the reformed scheme.

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 most recent Police Pension valuation was reported in October 2023.

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:

2023/24	LGPS (CC element) £000	LGPS (PCC ele-ment) £000	Police Pension Schemes £000	Group Total £000
CIES				
Cost of Services:				
- current service costs	9,716	672	16,890	27,278
- past service costs and gain/loss from settlements	52	0	150	202
Financing and Investment Income and Expenditure				
- net interest expense	(371)	(18)	91,050	90,661
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	**9,397**	**654**	**108,090**	**118,141**
Other Post-Employment Benefits charged to the CIES				
Re-measurement of the net defined benefit liability and return on plan assets	852	175	(17,520)	(16,493)
Total Post Employment Benefit charged to the CIES	**10,249**	**829**	**90,570**	**101,648**

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.	(9,397)	(654)	(108,090)	(118,141)
Actual amount charged against the Police Fund Balance for pensions in the year				
– employers' contributions payable to the scheme	11,483	804	65,283	77,570
– benefits paid direct to beneficiaries	0	0	3,310	3,310

2022/23	**LGPS (CC element) £000**	**LGPS (PCC ele-ment) £000**	**Police Pension Schemes £000**	**Group Total £000**
CIES				
Cost of Services:				
– current service costs	22,417	1,497	48,120	72,034
– past service costs and gain/loss from settlements	0	0	330	330
Financing and Investment Income and Expenditure				
– net interest expense	5,396	237	71,220	76,853
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	**27,813**	**1,734**	**119,670**	**149,217**
Other Post-Employment Benefits charged to the CIES				
Re-measurement of the net defined benefit liability and return on plan assets	(214,669)	(9,932)	(766,178)	(990,779)
Total Post Employment Benefit charged to the CIES	**(186,856)**	**(8,198)**	**(646,508)**	**(841,562)**
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)	(1,734)	(119,670)	(149,217)
Actual amount charged against the Police Fund Balance for pensions in the year				
– employers' contributions payable to the scheme	11,488	786	64,872	77,146
– benefits paid direct to beneficiaries	0	0	2,950	2,950

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

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

2023/24	LGPS (CC element) £000	LGPS (PCC element) £000	Police Pension Schemes £000	Group Total £000
Present value of the defined benefit obligation	(382,268)	(18,568)	(2,006,121)	(2,406,957)
Fair value of plan assets	382,268	18,568	0	400,836
Net liabilities arising from the defined benefit obligation	**0**	**0**	**(2,006,121)**	**(2,006,121)**
2022/23	**LGPS (CC element) £000**	**LGPS (PCC element) £000**	**Police Pension Schemes £000**	**Group Total £000**
Present value of the defined benefit obligation	(371,826)	(17,955)	(1,982,751)	(2,372,532)
Fair value of plan assets	370,592	17,980	0	388,572
Net liabilities arising from the defined benefit obligation	**(1,234)**	**25**	**(1,982,751)**	**(1,983,960)**

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

2023/24	LGPS (CC element) £000	LGPS (PCC element) £000	Police Pension Schemes £000	Group Total £000
Opening balance at 1 April	**(371,826)**	**(17,955)**	**(1,982,751)**	**(2,372,532)**
Current service cost	(9,716)	(672)	(16,890)	(27,278)
Interest cost	(17,528)	(853)	(91,050)	(109,431)
Contributions by scheme participants	(3,919)	(286)	(12,450)	(16,655
Re-measurement of liabilities*	10,857	500	17.520	28,877
Benefits paid	9,916	698	79,650	90,264
Past service costs	(52)	0	(150)	(202)
Curtailments	0	0	0	0
Closing balance 31 March	**(382,268)**	**(18,568)**	**(2,006,121)**	**(2,406,957)**
2022/23	**LGPS (CC element) £000**	**LGPS (PCC element) £000**	**Police Pension Schemes £000**	**Group Total £000**
Opening balance at 1 April	**(562,250)**	**(21,213)**	**(2,697,081)**	**(3,280,544)**

Current service cost	(22,417)	(1,497)	(48,120)	(72,034)
Interest cost	(15,653)	(586)	(71,220)	(87,459)
Contributions by scheme participants	(3,733)	(271)	(11,210)	(15,214)
Re-measurement of liabilities	222,080	4,832	766,660	993,572
Liabilities assumed on entity combinations	0	0	0	0
Benefits paid	10,147	780	78,550	89,477
Past service costs	0	0	(330)	(330)
Curtailments	0	0	0	0
Closing balance 31 March	**(371,826)**	**(17,955)**	**(1,982,751)**	**(2,372,532)**

* as adjusted to take account of the asset ceiling calculation – see explanation below

Asset Ceiling Adjustment

Under IAS 19, the accounting standard related to pensions, a restriction may be imposed where the Employer's LGPS asset are greater than the obligations on 31st March. The surplus that can be recognised in the accounts is the lower of the identified surplus or the 'Asset Ceiling'.

The Asset Ceiling is defined as "the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan". As no refunds are available from the LGPS schemes West Mercia Police is party to, the Asset Ceiling is limited to the economic benefit available as a reduction in future contributions.

The force's actuary, Hymans Robertson, were asked to produce an asset ceiling report. The methodology used, as agreed with West Mercia Police, has calculated the asset ceiling as the present value of future service costs less the present value of future service contributions but limited at zero, where this value would be negative. This is the case for West Mercia, so the net asset is shown as £0.0m.

This year the Group's LGPS valuation shows the Fair value of plan assets to be £443.269m and the present value of the defined benefit obligation to be £400.386m. This would show the scheme as being in surplus by £42.433m, however, due to the restriction noted above, the value of the remeasurement of the asset has been restricted to a value which gives a surplus of £0.0m, being £400.836m.

The PCC's LGPS valuation shows the Fair value of plan assets to be £20,639m and the present value of the defined benefit obligation to be £18,568m. This would show the scheme as being in surplus by £2,071m, however, due to the restriction noted above, the value of the remeasurement of the asset has been restricted to a value which gives a surplus of £0.0m, being £18,568m

Please see the 'Reconciliation of the Re-measurement' table below for further details.

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

Reconciliation of fair value of the scheme assets (LGPS)	CC element 2022/23 £000	PCC element 2022/23 £000	Group Total 2022/23 £000	CC element 2023/24 £000	PCC element 2023/24 £000	Group Total 2023/24 £000
Opening balance at 1 April	**362,672**	**12,254**	**374,926**	**370,592**	**17,980**	**388,572**
Interest income	10,257	349	10,606	17,899	871	18,770
Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense	(7,186)	5,115	(2,071)	(13,102)	(675)	(13,777)
Administration expenses	(225)	(15)	(240)	0	0	0
Contributions by employer	11,488	786	12,274	80,076	804	80,880
Contributions from employees into the scheme	3,733	271	4,004	16,369	286	16,655
Business Combinations (PPL - see note above)	0	0	0	0	0	0
Benefits paid	(10,147)	(780)	(10,927)	(89,566)	(698)	(90,264)
Closing balance 31 March	**370,592**	**17,980**	**388,572**	**382,268**	**18,568**	**400,836**

* adjusted in respect of the asset celling calculation. A £30.049m gain less £42.433m adjustment.

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

The liabilities show the underlying commitments that the PCC, the Chief Constable and the Group has in the long run to pay post-employment retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the PCC, the Chief Constable and the Group remains healthy. Any 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 2025 is £13.3m. Expected contributions for the Police Pension Schemes by the Chief Constable in the year to 31 March 2025 are £34.6m. The value relating specifically to the OPCC is £0.602m.

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

The analysis of the re-measurement of the net defined benefit liabilities for 2023/24 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.

2023/24	LGPS (CC element) 2023/24 £000	LGPS (PCC element) 2023/24 £000	Police Pension Schemes £000	Group Total £000
Changes in financial assumptions	(7,855)	(404)	(39,617)	(47,876)
Changes in demographic assumptions	(5,625)	(263)	0	(5,888)
Re-measurement of assets	11,709	675	0	12,384
Experience gains and losses	2,623	167	23,490	26,280
Total re-measurement	**852**	**175**	**(16,127)**	**(15,100)**
2022/23	**LGPS (CC element) 2022/23 £000**	**LGPS (PCC element) 2022/23 £000**	**Police Pension Schemes £000**	**Group Total £000**
Changes in financial assumptions	(256,265)	(9,973)	(879,048)	(1,183,936)
Changes in demographic assumptions	(9,042)	(341)	(40,550)	(49,933)
Re-measurement of assets	7,411	(5,100)	0	2,311
Experience gains and losses	43,227	5,482	153,350	202,059
Total re-measurement	**(214,669)**	**(9,932)**	**(766,178)**	**(1,029,499)**

LGPS Assets

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

Group

	Total 31 March 2023 £000	Split of Assets between Investment categories %	Total 31 March 2024 £000	Split of Assets between Investment categories %
Equities	280,682	72.2	46,978	10.6
Government Bonds	5,363	1.4	0	0.0
Other Bonds	4,668	1.2	0	0.0
Property	33,386	8.6	35,421	8.0
Alternatives–UK Infrastructure etc	58,740	15.1	353,322	79.7
Cash-Liquidity	5,733	1.5	7,548	1.7
Total Assets	**388,572**	**100**	**443,269**	**100.0**

PCC

	Total 31 March 2023 £000	Split of Assets between Investment categories %	Total 31 March 2024 £000	Split of Assets between Investment categories %
Equities	12,988	72.2	2,188	10.6
Government Bonds	248	1.4	0	0.0

Other Bonds	216	1.2	0	0.0
Property	1,545	8.6	1,649	8.0
Alternatives–UK Infrastructure	2,718	15.1	16,451	79.7
Cash-Liquidity	265	1.5	351	1.7
Total Assets	**17,980**	**100**	**20,639**	**100.0**

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 Hymans Roberson, 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 2023, rolled forward to 31 March 2024. 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:

2022/23			2023/24	
LGPS	**Police Pension Schemes**		**LGPS**	**Police Pension Schemes**
		Mortality assumptions		
		Longevity at 65 for current pensioners:		
22 years	21.9 years	Men	21.3 years	21.9 years
24.2 years	23.5 years	Women	23.6 years	23.6 years
		Longevity at 65 for future pensioners:		
23.3 years	23.5 years	Men	22.6 years	23.6 years
26.1 years	25 years	Women	25.5 years	25.1 years
2.7	2.6	Rate of CPI inflation	2.75%	2.60%
4.2	3.9	Rate of increase in salaries (long-term)	4.25%	3.85%
n/a	n/a	Rate of increase in salaries (short-term)	n/a	n/a
2.8	2.6	Rate of increase in pensions	2.75%	2.60%
4.8	4.7	Rate for discounting scheme liabilities	4.85%	4.75%
2.7	3.9	CARE Revaluation rate	2.75%	3.85%
50%	100%	Take-up of option to convert annual pension into retirement lump sum	50%	100%

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

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

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

Group

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in 1 year)	107,467	-107,467
Rate of inflation (increase or decrease by 1%) – Police staff only	500,280	-500,280
Rate of increase in salaries (increase or decrease by 1%)	465,260	-465,260
Rate of increase in pensions (increase or decrease by 1%) – PPS only	308,000	-308,000
Rate for discounting scheme liabilities (increase or decrease by 1%)	32,850	-32,850

PCC

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in 1 year)	2,814	-2,814
Rate of inflation (increase or decrease by 1%) – Police staff only	24,380	-24,380
Rate of increase in salaries (increase or decrease by 1%)	21,140	-21,140
Rate for discounting scheme liabilities (increase or decrease by 1%)	16,680	-16,680

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.

2022/23			2023/24	
£000	**£000**		**£000**	**£000**
		Contributions Receivable		
		From employer		
(26,145)		- Normal at 31% of pensionable pay	(28,820)	
(601)		- Ill Health Capital Sum Income	(900)	
(11,216)		From members (serving police officers)	(12,451)	
	(37,962)			**(42,171)**
	(365)	**Individual Transfers In from other schemes**		**(148)**
		Benefits Payable		
61,279		Pensions	67,564	
15,708		Commutations and Lump Sum retirement benefits	9,885	
		Lump sum death benefits	278	
	76,988			**77,727**
		Payments to and on account of leavers		
79		Refunds of contributions	132	
0		Individual transfers out to other schemes	23	
	79			**155**
	38,740	**Sub-total for the year before transfer from the Group of amount equal to the deficit**		**35,563**
	(38,740)	**Additional funding payable by the Group to meet deficit for the year**		**(35,563)**
	0	**Net Amount Payable / Receivable for the year**		**0**

Notes to the Police Pension Fund Account

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

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

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

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

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

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

6. Employers' contributions, which are set by the Home Office subject to the Government Actuary's Department triennial valuation, are calculated at 31% of police officer pensionable pay from 1 April 2019;

7. Police officer contributions are deducted from officer salaries. The contribution rates were increased on 1 April 2012 to reflect the agreement reached between the Home Secretary and the Police Negotiating Board. Contribution rates range between 11.00% and 15.05% dependant on the range the police officer's salary falls into and whether the officer is a member of the OPPS, NPPS or PPS;

8. There are no related party transactions to the Account.

Glossary of Terms

Accounts and Audit (England) Regulations 2015 – The regulations that govern the preparation, approval and audit of statements of accounts and other accounting statements prepared in respect of the year ending 31 March 2016 onwards, as amended by the Accounts and Audit (Amendment) Regulations 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Financing Charges – The repayment of loans and interest for capital projects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance Leases and Operating Leases – A Finance lease transfers substantially 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.

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

Outturn – The actual amount spent in the financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Revenue Support Grant (RSG) – General Government Grant support towards the PCC's expenditure.

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 organisations 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.