

**The Office of the  
Police & Crime Commissioner  
for Leicestershire (OPCC)**

**Annual Financial Report  
(Group & Single Entity)**

**2014/15**

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## Explanatory foreword by the Chief Finance Officer

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The accounts for 2014/15 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority. This Code of Practice has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

For details of changes in accounting methodology and policies, please refer to the note titled "Accounting changes caused by the Police Reform and Social Responsibility Act 2011" beginning on page 17.

### Overview

The financial year 2014/15 was the second full year in office for Sir Clive Loader as Police and Crime Commissioner for Leicestershire. During the year, Sir Clive continued to embed his Commissioning Framework (completing a further refresh during the year), to achieve outcomes to support the delivery of his Police and Crime Plan.

During 2014/15 Sir Clive began preparatory work with his office and external partners for the commissioning of services for victims of crime. Responsibility for that vital area of support transferred from the Ministry of Justice on 1<sup>st</sup> April 2015, with responsibility for specific cope and recover services transferring earlier on 1<sup>st</sup> October 2014. The Commissioning Framework refresh during the year took these developments into account.

The budget (both revenue and capital) for 2015/16 was set by Sir Clive during the latter months of 2014/15 following consultation with both the community that he is elected by as well as key stakeholders and partners on the Police & Crime Panel. The results of the consultation gave support for Sir Clive's decision to raise the precept (local council tax) by 1.99% which was equivalent to a 6.8p per week increase for an average Band D property. This increase in the precept helped support the costs of providing front-line policing services during a continued period of austerity in government spending.

The Force is well on the road to delivering on its main objective in the change strategy, namely "with our staff and partners, transform the way we protect our communities and deliver over £20m in revenue savings by 2016" and has, during 2014/15, begun shaping a strategy (the "Blueprint 2020") to deliver further considerable savings in the period to 2019/20. This recognises the government's drive to further reduce public sector spending outside of any protections afforded to specific services and the Force's Medium Term Financial Strategy which estimates the savings required to be in the region of £16.9m by 2019/20.

During the year, the Force successfully implemented changes to how it delivers operational policing services under the banner of "Project Edison". This provides the platform on which the Force will reshape itself in the coming years to realise the Blueprint 2020 vision and drive out further savings whilst continuing to provide an efficient and effective policing service to our communities.

In 2014/15, the Office of the Police and Crime Commissioner for Leicestershire's budget was managed and monitored tightly in conjunction with the Force and this reflects the very tight financial environment and reducing funding year-on-year. As a result of this, the final outturn for the year resulted in an underspend of £448k, which when compared to a budget of over £172.6 million equated to a variance of 0.26%.

The HMIC Value for Money profiles highlighted that the PCC invests the second highest nationally in Commissioning, the total budget for 2014/15 equated to £3.8m and alongside an allocation in respect of the aforementioned victims services commissioning also allowed Sir Clive and his team to facilitate other initiatives connected with his Police & Crime Plan including:

- a mentoring scheme for young people at risk of entering the criminal justice system;
- a textile project to train disengaged young people;
- targeted counselling support for victims of domestic abuse;
- campaigns to increase the reporting of hate crime; and
- support to troubled-family programmes in Leicester, Leicestershire and Rutland.

The PCC issues a separate Annual Report which details the activities undertaken during the year and the progress towards the Police and Crime Plan priorities.

The 2014/15 outturn evidenced the robust budget management in place during the year and use of reserves were minimised towards essential investment to ensure that the budget equalisation and other earmarked reserves remained in a healthy state. This is particularly important as the predictions of a growing medium term

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funding gap (£16.9m by 2019/20) mean that it will be essential to have an adequate reserve to enable transformational change. The budget equalisation reserve will be used to manage the lead-time of the sustainable change that the Blueprint 2020 will provide.

In conclusion, the financial arrangements of the Office of the Police and Crime Commissioner and the Office of the Chief Constable are in a sound position. There is a continued track record of managing spend within the resources available, a clear focus on a change programme to manage future austerity and an adequate level of reserves that will support the organisations through the change process. Discussions continue to ensure that there is an appropriate balance between the change programme and its implications and the resources available in order to deliver the priorities of the Police & Crime Plan as identified to the Commissioner by the public and partners within Leicester, Leicestershire and Rutland.

### Financing the Police Service

A net annual revenue budget for 2014/15 of £172.6m was set for the service as a whole, after planning to make further efficiency savings of £0.5m. £168.1m was managed by the CC with the remaining £4.5m relating to the costs of the OPCC (£1.0m) and commissioning activities (£3.5m). The majority of the funding is provided by Government, with just 30% met via the Council Tax.

### Revenue spending

As described above, the OPCC underspent its 2014/15 budget by £0.448m or 0.26%. This was attributable to:

- an underspend on police pay and allowances of £2.09m due to an increased number of leavers (particularly due to ill-health retirements or transfer to other Forces), higher than anticipated income from secondments out of Force together with savings in police allowances.
- an overspend on corporate budgets of £2.13m which captured costs associated with the Force change programme that had previously been planned to be funded from reserves but were contained within the overall Force underspend. In addition to this there were a higher than expected number of ill-health retirements and costs of funding Force initiatives including the match-funding of Innovation Fund bids.
- a net underspend of £0.941m on delegated activities as a result of local management decisions to reduce overall expenditure, in particular in carrying staff vacancies and delaying training activities due to the ongoing change programme.

The OPCC has transferred the uncommitted revenue underspend of £0.448m (net of £0.376m related to Business Cases that will be reviewed and considered during 2015/16) to the Budget Equalisation Reserve as a further contribution to bridging the estimated medium term funding gap of £16.9m in the period to 2019/20 and to fund future investments in the Change Programme and Blueprint 2020.

### Reserves

The Police Fund (General Reserve) has been maintained at £6.0m. The closing balance on the Budget Equalisation Reserve is £12.2m and the total earmarked reserves are £22.7m (including both a share of regional jointly controlled reserves as well as reserves held on behalf of partners).

### Retirement Benefits

Accounting for Retirement Benefits in the 2014/15 Statement of Accounts has resulted in a pension liability of £1,850m compared to £1,612m in 2013/14. The increase in the liability is primarily due to the actuarial losses arising from changes in the financial assumptions. The discount rate is based on corporate bond yields and these have fallen during the year.

The police officer pension scheme liability is £1,747m with the balance relating to the Local Government Pension Scheme (LGPS).

The liabilities show the underlying commitments that the Group has to pay retirement benefits. However, the statutory arrangements for the funding of the deficit mean that the financial position of the OPCC/Group remains stable.



# Explanatory foreword by the Chief Finance Officer

## Capital spending

£7.4m was spent on improving the estate, investing in information technology, operational equipment and the vehicle fleet. This was funded by a combination of internal borrowing, grant, asset sales, 3<sup>rd</sup> party income and revenue contributions. This capital spending resulted in non-current asset additions of £7.3m after £0.1m was charged to the Comprehensive Income & Expenditure Statement as "Revenue Expenditure Financed from Capital resources Under Statute" (REFCUS – see Note 15). No external borrowing was taken out during 2014/15. Outstanding external debt at the year-end was £12.4m (excluding accruals for interest payable).

The capital projects undertaken included the completion of works at the Loughborough police station, the commencement of a replacement for the Oakham facility, remodelling of existing office/work space (linked to the Project Edison changes to how policing is delivered), enhancements to existing IT systems (particularly in replacing the Force's crime and intelligence system), alongside a range of infrastructure developments to support both local and regional collaborative working.

During 2014/15 properties at Lutterworth (Police station) and Market Bosworth were disposed of as part of the Force's overall estates strategy. These were replaced with neighbourhood offices, where appropriate. Syston Police Station was held for sale at the 31<sup>st</sup> March 2015 and this disposal should be concluded during 2015/16.

## Outlook for 2015/16 and Beyond

As has been the case for several years, the funding regime for the public sector continues to be challenging. The police service has not been exempt from that challenge, which is set to continue.

Against this background, the OPCC approved the 2015/16 net revenue and capital budgets of £171.6m (before the use of reserves) and £8.9m respectively. The Government's commitment to freeze council tax continued. In order to ensure a council tax freeze it offered to compensate authorities who levied no increase an additional grant equivalent to a 1% precept increase. The PCC did not accept the grant and a precept of £180.00 for a Band D property was approved, an increase of 1.99% over the previous year.

This decision was based on sustaining the longer term financial position of the OPCC and Force in future years.

As part of the precept for 2015/16, the PCC agreed with the Chief Constable the need to identify, by the end of June 2015, a series of proposals (with timescales for achievement) which prioritise specific savings areas and would create a minimum of a further £2.5 million in revenue savings. The areas he sought specific proposals from the force on are as follows:

1. Further insight into Force structural reform
2. An honest review of Productivity across the Force
3. Proposals for savings to middle and back office
4. More demand management benefits
5. Continued vigour with the Volunteers Strategy
6. Identifying opportunities to work with partners.

Furthermore, in line with the PCC's focus on making neighbourhoods safe and protecting the vulnerable in our communities, he earmarked a maximum of £2m from the Budget Equalisation Reserve to provide 'invest to save' or seed funding to support strategic priorities with partners on such issues as victims, safeguarding, CSE, cyber-crime, mental health and any other emerging priorities from the joint review of partnerships and partnership working.

Beyond 2015/16, there is a high level of uncertainty as to how the finance settlement might look and from 2017/18 onwards, the financial position begins to deteriorate further, in line with many other public sector organisations. However, 2015/16 onwards will see a continuation of the positive work undertaken and savings achieved thus far and building on the need to determine and implement a strategy for change that will take the Force forward whilst addressing the need to close the funding gap of £16.9m by 2019/20.

## **Explanation of the financial report**

The financial report comprises two elements:

- a. The statement of accounts
- b. Non audited supplementary documents

In order to gain a fuller picture of the financial performance of the public-facing police service for Leicestershire and Rutland, it is recommended that this statement of accounts is read in conjunction with the statement of accounts for the Office of the Chief Constable (OCC).

## **The Statement of Accounts**

The purpose of the Statement of Accounts is to provide clear information to readers on how the OPCC/Group has utilised available financial resources based on International Financial Reporting Standards (IFRS). This document provides details of the comprehensive income and expenditure for the financial year 2014/15. The report provides the accounting for the general fund and all other accounts for which the OPCC is responsible. The OPCC/Group's balance sheet provides details of the assets and liabilities as at 31<sup>st</sup> March 2015. Other supporting statements are provided to help to explain the figures in the accounts. In addition, a glossary can be found at the back of this publication to help explain some of the technical terms.

The main accounts and statements that you will see in this document, their purpose and the relationship between them are outlined below.

## **The core financial statements (two provided, one for the Group and one for the OPCC):**

### **Movement in Reserves Statement**

The movement in the year on the different reserves held by the OPCC/Group is shown in this statement. This is 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 OPCC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'Net increase/(decrease) before transfers (to) / from earmarked reserves' line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the OPCC/Group.

### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. The Police & Crime Commissioner raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The core difference between the OPCC version and the consolidated Group position is that the OPCC Comprehensive Income & Expenditure Statement demonstrates the intra-group transfer to the OCC of the costs of providing policing services whilst retaining recognition of all income. The Group Comprehensive Income & Expenditure Statement is the consolidation position of both the OPCC and the OCC, it therefore shows the net costs of providing policing services.

### **Balance Sheet**

The value at the end of the reporting period (i.e. 31st March) of the assets and liabilities recognised by the OPCC/Group are shown on the balance sheet. The net assets of the OPCC/Group (assets less liabilities) are matched by the reserves held by the OPCC/Group. Reserves are reported in two categories:

- Usable reserves - those reserves that the OPCC/Group 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 that may only be used to fund capital expenditure or repay debt).

## Explanatory foreword by the Chief Finance Officer

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- Unusable reserves - those that the OPCC/Group is 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 Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

### Cash flow statement

This statement shows the movement in cash and cash equivalents of the OPCC/Group during the reporting period. The statement shows how the OPCC/Group generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The net cash flow arising from operating activities is a key indicator of the extent to which the operations of the OPCC/Group are funded by way of taxation and grant income or from the recipients of services provided by the OPCC/Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the OPCC/Group's 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 OPCC/Group.

### Notes to the core financial statements

The notes provide support to the financial statements, inform the reader and give sufficient information to present a good understanding of the OPCC/Group's activities. An introduction to these notes provides further information concerning the changes to the organisation's structure and hence the presentation of these financial statements.

### The supplementary financial statements:

#### Pension fund account

The police pension schemes are unfunded and hold no assets. The purpose of this account is to demonstrate the cash-based transactions taking place over the year and to identify the arrangements needed to balance the account. The Chief Constable for Leicestershire (OCC) administers the Pension fund account on behalf of the group with resources provided by the OPCC/Group.

### Non-audited supplementary documents

#### Explanatory foreword

The purpose of this foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the OPCC/Group's financial position.

#### Statement of responsibilities

The purpose is for the Chief Finance Officer to sign a statement that the accounts present a true and fair view of the financial position of the OPCC/Group at the accounting date and of its income and expenditure for the year then ended.

#### Annual governance statement

Regulations require English authorities to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on this review with any Statement of Accounts.



**Helen King**  
**Chief Finance Officer**  
**29 September 2015**

## ***The OPCC's responsibilities***

The OPCC is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this OPCC, that officer is the Chief Finance Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts

## ***OPCC's approval***

The Statement of Accounts for the year to 31<sup>st</sup> March 2015 has been prepared and was approved at the Joint Audit Risk Assurance Panel (JARAP) on 22 September 2015.

## ***The Chief Finance Officer's responsibilities***

The Chief Finance Officer (CFO) is responsible for the preparation of the OPCC's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the CFO, has:

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

The Chief Finance Officer has also:

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

## ***Chief Finance Officer's certification***

I certify that the Statement of Accounts presents a true and fair view of the financial position of the OPCC/Group at the reporting date and of its income and expenditure for the year ended 31<sup>st</sup> March 2015.



**Helen King**  
**Chief Finance Officer**  
**29 September 2015**

## Comprehensive Income & Expenditure Statement (Group)

This statement shows the accounting cost in the year of providing police services 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 may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves. This statement represents the consolidated position of both the OPCC and OCC.

2013/14				2014/15		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£000	£000	£000	Note	£000	£000	£000
90,210	(2,544)	87,666		85,288	(2,831)	82,457
16,285	(253)	16,032		13,509	(283)	13,226
13,895	(966)	12,929		14,679	(1,064)	13,615
6,562	(1,481)	5,081		7,156	(1,776)	5,380
14,975	(2,257)	12,718		14,433	(3,234)	11,199
12,880	(562)	12,318		14,146	(1,269)	12,877
38,129	(3,011)	35,118		41,088	(2,754)	38,334
5,189	(151)	5,038		5,335	(942)	4,393
5,096	(3,661)	1,435		5,418	(3,557)	1,861
1,202	-	1,202		1,115	-	1,115
2,949	(1,667)	1,282		3,634	(1,202)	2,432
30	-	30	30	(804)	-	(804)
<b>207,402</b>	<b>(16,553)</b>	<b>190,849</b>		<b>204,997</b>	<b>(18,912)</b>	<b>186,085</b>
737	-	737	2	-	(441)	(441)
69,402	(445)	68,957	4	71,918	(137)	71,781
-	(176,193)	(176,193)	5	-	(174,673)	(174,673)
<b>277,541</b>	<b>(193,191)</b>	<b>84,350</b>	6	<b>276,915</b>	<b>(194,163)</b>	<b>82,752</b>
		2,397				(1,952)
		(37,060)	32			175,063
		(19,257)	29			(20,913)
		<b>(53,920)</b>	29			<b>152,198</b>
		<b>30,430</b>				<b>234,950</b>

## Comprehensive Income & Expenditure Statement (OPCC)

This statement shows the accounting cost in the year of providing police services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The OPCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves. This statement differs from the Group statement in that it shows the intra-group transfer between the OPCC and the OCC. This transfer represents a recharge of the costs of providing policing services to the OCC who has consumed the resources.

2013/14				Note	2014/15		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
-	-	-	Local Policing		-	-	-
-	-	-	Dealing With The Public		-	-	-
-	-	-	Criminal Justice Arrangements		-	-	-
-	-	-	Road Policing		-	-	-
-	-	-	Specialist Operations		-	-	-
-	-	-	Intelligence		-	-	-
-	-	-	Investigations		-	-	-
-	-	-	Investigative Support		-	-	-
-	-	-	National Policing		-	-	-
1,126	-	1,126	Corporate & Democratic Core		1,030	-	1,030
2,949	(1,667)	1,282	Commissioning Activities by the Police & Crime Commissioner		3,634	(1,202)	2,432
-	-	-	Non distributed costs	30	-	(8)	(8)
186,603	(14,886)	171,717	Intra-group Transfer		188,117	(17,710)	170,407
<b>190,678</b>	<b>(16,553)</b>	<b>174,125</b>	<b>Cost of services</b>	2	<b>192,781</b>	<b>(18,920)</b>	<b>173,861</b>
737	-	737	Other operating expenditure	4	-	(441)	(441)
815	(445)	370	Financing and investment income & expenditure	5	804	(139)	665
-	(176,193)	(176,193)	Taxation & non-specific grant income	6	-	(174,673)	(174,673)
<b>192,230</b>	<b>(193,191)</b>	<b>(961)</b>	<b>(Surplus) or deficit on provision of services</b>		<b>193,585</b>	<b>(194,173)</b>	<b>(588)</b>
		2,397	(Surplus) / deficit on revaluation of non-current assets	32			(1,952)
		157	Actuarial (gains) / losses on pension assets/liabilities	29			248
		-	Grant received from the Home Office in respect of the pension fund account	29			-
		<b>2,554</b>	<b>Other comprehensive income &amp; expenditure</b>				<b>(1,704)</b>
		<b>1,593</b>	<b>Total comprehensive income &amp; expenditure</b>				<b>(2,292)</b>

**Balance Sheet (Group)**

The Balance Sheet shows the value of the Group's assets and liabilities at the balance sheet date. The net assets or liabilities (shown below) are matched by the Group's reserves. Reserves are separated into *usable* (i.e. those amounts the Group may use to provide police services – subject to statutory limitations) and *unusable* (i.e. those reserves where unrealised gains/(losses) reside or where adjustments are made to reconcile between accounting requirements and taxation requirements).

31 <sup>st</sup> March 2014 Restated £000		Note	31 <sup>st</sup> March 2015 £000
	<b>Non-current assets</b>		
886	Intangible assets	13	940
55,610	Property, plant & equipment	14	60,549
506	Investment property		506
<b>57,002</b>			<b>61,995</b>
	<b>Non-operational non-current assets</b>		
3,263	Assets under construction	14/17	1,858
<b>60,265</b>			<b>63,853</b>
387	Long term debtors	18	511
<b>60,652</b>	<b>Total long term assets</b>		<b>64,364</b>
	<b>Current assets</b>		
341	Inventories		317
17,674	Short term debtors	18	23,071
982	Assets held for sale	16	753
1,585	Payments in advance		1,893
10	Short term investments		10
15,896	Cash & cash equivalents	19	15,407
<b>36,488</b>			<b>41,451</b>
	<b>Current liabilities</b>		
(10,512)	Short term creditors	21	(17,429)
(1,907)	Receipts in advance		(1,377)
(131)	Short term borrowing		(131)
(398)	Provisions	24	(314)
(3,106)	Accumulated absences	35	(3,250)
<b>(16,054)</b>			<b>(22,501)</b>
<b>20,434</b>	<b>Net current assets</b>		<b>18,950</b>
	<b>Long term liabilities</b>		
(12,399)	Long term borrowing	22	(12,399)
(2,234)	Deferred liabilities	20	(1,795)
(189)	Capital grants receipts in advance	12	(370)
(12)	Receipts in Advance		(42)
(1,612,123)	Liability related to defined benefit pension schemes	29	(1,849,529)
<b>(1,626,957)</b>			<b>(1,864,135)</b>
<b>(1,545,871)</b>	<b>Net assets / (liabilities)</b>		<b>(1,780,821)</b>
27,600	Usable reserves	25	28,940
(1,573,471)	Unusable reserves	26	(1,809,761)
<b>(1,545,871)</b>	<b>Total reserves</b>		<b>(1,780,821)</b>

**Re-certification**

The financial statements on pages 1 to 106 were issued on 26th June 2015 and the audited accounts were authorised for issue on 29 September 2015.

## Balance Sheet (OPCC)

The Balance Sheet shows the value of the OPCC's assets and liabilities at the balance sheet date. The net assets or liabilities (shown below) are matched by the OPCC's reserves. Reserves are separated into *usable* (i.e. those amounts the OPCC may use to provide police services – subject to statutory limitations) and *unusable* (i.e. those reserves where unrealised gains/(losses) reside or where adjustments are made to reconcile between accounting requirements and taxation requirements).

31 <sup>st</sup> March 2014 £000		Note	31 <sup>st</sup> March 2015 £000
	<b>Non-current assets</b>		
886	Intangible assets	13	940
55,610	Property, plant & equipment	14	60,549
506	Investment property		506
<b>57,002</b>			<b>61,995</b>
	<b>Non-operational non-current assets</b>		
3,263	Assets under construction	14/17	1,858
<b>60,265</b>			<b>63,853</b>
328	Long term debtors	18	441
<b>60,593</b>	<b>Total long term assets</b>		<b>64,294</b>
	<b>Current assets</b>		
341	Inventories		317
11,203	Short term debtors	18	17,443
982	Assets held for sale	16	753
1,582	Payments in advance		1,891
10	Short term investments		10
2,315	Guarantee from the Police & Crime Commissioner		1,694
15,896	Cash & cash equivalents	19	15,407
<b>32,329</b>			<b>37,515</b>
	<b>Current liabilities</b>		
(6,294)	Short term creditors	21	(13,425)
-	Guarantee to the Police & Crime Commissioner		-
(1,907)	Receipts in advance		(1,375)
(131)	Short term borrowing		(131)
(398)	Provisions	24	(314)
(13)	Accumulated absences	35	(30)
<b>(8,743)</b>			<b>(15,275)</b>
<b>23,586</b>	<b>Net current assets</b>		<b>22,240</b>
	<b>Long term liabilities</b>		
(12,399)	Long term borrowing	22	(12,399)
(2,234)	Deferred liabilities	20	(1,795)
(189)	Capital grants receipts in advance	12	(370)
(12)	Receipts in Advance		(42)
(439)	Liability related to defined benefit pension schemes	29	(730)
<b>(15,273)</b>			<b>(15,336)</b>
<b>68,906</b>	<b>Net assets / (liabilities)</b>		<b>71,198</b>
27,600	Usable reserves	25	28,940
41,306	Unusable reserves	26	42,258
<b>68,906</b>	<b>Total reserves</b>		<b>71,198</b>

### Re-certification

The financial statements on pages 1 to 106 were issued on 26 June 2015 and the audited accounts were authorised for issue on 29 September 2015.



## Statement of Movement in Reserves (Group)

The movement in the year on the different reserves held by the Group is shown in this statement. This is 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. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The 'net increase/(decrease) before transfers (to)/from earmarked reserves' line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

Further details of the movements can be seen in the notes as referenced below.

2014/15	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
Note	28 £000	27 £000	£000	31 £000	25 £000	26 £000	£000
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>6,000</b>	<b>21,597</b>	-	<b>3</b>	<b>27,600</b>	<b>(1,573,471)</b>	<b>(1,545,871)</b>
<b>Movement in reserves during 2014/15</b>							
Surplus or (deficit) on the provision of services	(82,752)	-	-	-	<b>(82,752)</b>	-	<b>(82,752)</b>
Other comprehensive income & expenditure	(152,198)	-	-	-	<b>(152,198)</b>	-	<b>(152,198)</b>
<b>Total comprehensive income &amp; expenditure</b>	<b>(234,950)</b>	-	-	-	<b>(234,950)</b>	-	<b>(234,950)</b>
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	236,082	-	-	208	<b>236,290</b>	<b>(236,290)</b>	-
<b>Net increase/(decrease) before transfers (to)/from earmarked reserves</b>	<b>1,132</b>	-	-	<b>208</b>	<b>1,340</b>	<b>(236,290)</b>	<b>(234,950)</b>
Transfers (to)/from earmarked reserves (note 27)	(1,132)	1,132	-	-	-	-	-
<b>Increase/(decrease) in 2014/15</b>	<b>-</b>	<b>1,132</b>	-	<b>208</b>	<b>1,340</b>	<b>(236,290)</b>	<b>(234,950)</b>
<b>Balance as at 31<sup>st</sup> March 2015</b>	<b>6,000</b>	<b>22,729</b>	-	<b>211</b>	<b>28,940</b>	<b>(1,809,761)</b>	<b>(1,780,821)</b>

## Core financial statements

2013/14 (restated)	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
<i>Note</i>	28 £000	27 £000	£000	31 £000	25 £000	26 £000	£000
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>5,253</b>	<b>22,925</b>	-	<b>4</b>	<b>28,182</b>	<b>(1,543,623)</b>	<b>(1,515,441)</b>
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services	(84,350)	-	-	-	<b>(84,350)</b>	-	<b>(84,350)</b>
Other comprehensive income & expenditure	53,920	-	-	-	<b>53,920</b>	-	<b>53,920</b>
<b>Total comprehensive income &amp; expenditure</b>	<b>(30,430)</b>	-	-	-	<b>(30,430)</b>	-	<b>(30,430)</b>
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	29,849	-	-	(1)	<b>29,848</b>	<b>(29,848)</b>	-
<b>Net increase/(decrease) before transfers (to)/from earmarked reserves</b>	<b>(581)</b>	-	-	<b>(1)</b>	<b>(582)</b>	<b>(29,848)</b>	<b>(30,430)</b>
Transfers (to)/from earmarked reserves (note 27)	1,328	(1,328)	-	-	-	-	-
<b>Increase/(decrease) in 2013/14</b>	<b>747</b>	<b>(1,328)</b>	-	<b>(1)</b>	<b>(582)</b>	<b>(29,848)</b>	<b>(30,430)</b>
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>6,000</b>	<b>21,597</b>	-	<b>3</b>	<b>27,600</b>	<b>(1,573,471)</b>	<b>(1,545,871)</b>

## Statement of Movement in Reserves (OPCC)

2014/15	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
Note	28 £000	27 £000	£000	31 £000	25 £000	26 £000	£000
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>6,000</b>	<b>21,597</b>	-	<b>3</b>	<b>27,600</b>	<b>41,306</b>	<b>68,906</b>
<b>Movement in reserves during 2014/15</b>							
Surplus or (deficit) on the provision of services	588	-	-	-	<b>588</b>	-	<b>588</b>
Other comprehensive income & expenditure	1,704	-	-	-	<b>1,704</b>	-	<b>1,704</b>
<b>Total comprehensive income &amp; expenditure</b>	<b>2,292</b>	-	-	-	<b>2,292</b>	-	<b>2,292</b>
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	(1,160)	-	-	208	<b>(952)</b>	<b>952</b>	-
<b>Net increase/(decrease) before transfers (to)/from earmarked reserves</b>	<b>1,132</b>	-	-	<b>208</b>	<b>1,340</b>	<b>952</b>	<b>2,292</b>
Transfers (to)/from earmarked reserves (note 27)	(1,132)	1,132	-	-	-	-	-
<b>Increase/(decrease) in 2014/15</b>	<b>-</b>	<b>1,132</b>	-	<b>208</b>	<b>1,340</b>	<b>952</b>	<b>2,292</b>
<b>Balance as at 31<sup>st</sup> March 2015</b>	<b>6,000</b>	<b>22,729</b>	-	<b>211</b>	<b>28,940</b>	<b>42,258</b>	<b>71,198</b>

## Core financial statements

2013/14	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
<i>Note</i>	28 £000	27 £000	£000	31 £000	25 £000	26 £000	£000
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>5,253</b>	<b>22,925</b>	-	<b>4</b>	<b>28,182</b>	<b>42,317</b>	<b>70,499</b>
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services	961	-	-	-	<b>961</b>	-	<b>961</b>
Other comprehensive income & expenditure	(2,554)	-	-	-	<b>(2,554)</b>	-	<b>(2,554)</b>
<b>Total comprehensive income &amp; expenditure</b>	<b>(1,593)</b>	-	-	-	<b>(1,593)</b>	-	<b>(1,593)</b>
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	1,012	-	-	(1)	<b>1,011</b>	<b>(1,011)</b>	-
<b>Net increase/(decrease) before transfers (to)/from earmarked reserves</b>	<b>(581)</b>	-	-	<b>(1)</b>	<b>(582)</b>	<b>(1,011)</b>	<b>(1,593)</b>
Transfers (to)/from earmarked reserves (note 27)	1,328	(1,328)	-	-	-	-	-
<b>Increase/(decrease) in 2013/14</b>	<b>747</b>	<b>(1,328)</b>	-	<b>(1)</b>	<b>(582)</b>	<b>(1,011)</b>	<b>(1,593)</b>
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>6,000</b>	<b>21,597</b>	-	<b>3</b>	<b>27,600</b>	<b>41,306</b>	<b>68,906</b>

## Cash Flow Statement (Group)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group 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 Group are funded by way of taxation and grant income or from the recipients of services provided by the Group.

*Investing* activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's 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 Group.

2013/14 £000		Note	2014/15 £000
84,350	<b>Net (surplus) or deficit on the provision of services</b>		<b>82,752</b>
(86,434)	Adjustments to <i>net (surplus) or deficit on the provision of services</i> for non-cash movements	36.1	(88,887)
2,990	Adjustments for items included in the <i>net (surplus) or deficit on the provision of services</i> that are investing and financing activities	36.2	2,694
<b>906</b>	<b>Net cash flows from operating activities</b>		<b>(3,441)</b>
6,009	Investing activities	37	3,491
439	Financing activities	38	439
<b>7,354</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>489</b>
23,250	Cash and cash equivalents at the beginning of the reporting period		15,896
<b>15,896</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>15,407</b>

## Cash Flow Statement (OPCC)

The Cash Flow Statement shows the changes in cash and cash equivalents of the OPCC during the reporting period. The statement shows how the OPCC 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 OPCC are funded by way of taxation and grant income or from the recipients of services provided by the OPCC.

*Investing* activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the OPCC's 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 OPCC.

2013/14 £000		Note	2014/15 £000
(961)	<b>Net (surplus) or deficit on the provision of services</b>		<b>(588)</b>
(1,123)	Adjustments to <i>net (surplus) or deficit on the provision of services</i> for non-cash movements	36.1	(5,547)
2,990	Adjustments for items included in the <i>net (surplus) or deficit on the provision of services</i> that are investing and financing activities	36.2	2,694
<b>906</b>	<b>Net cash flows from operating activities</b>		<b>(3,441)</b>
6,009	Investing activities	37	3,491
439	Financing activities	38	439
<b>7,354</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>489</b>
23,250	Cash and cash equivalents at the beginning of the reporting period		15,896
<b>15,896</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>15,407</b>

### **Accounting changes caused by the Police Reform and Social Responsibility Act 2011**

Two new bodies ("Corporations Sole"), the Police and Crime Commissioner (PCC) for Leicestershire and the Chief Constable for Leicestershire, came into existence on 22<sup>nd</sup> November 2012 following the enactment of the Police Reform and Social Responsibility Act 2011.

The PCC is responsible for securing an efficient and effective police force whilst the Chief Constable is responsible for maintaining the Queen's Peace and has operational direction and control over the force's officers and staff.

This structural change created a 'Group' in accounting terms, referred to as the "Office of the Police and Crime Commissioner for Leicestershire Group" (OPCC Group or simply, 'the Group') and the two bodies within that group as "Office of the Police & Crime Commissioner for Leicestershire" (OPCC) and "Office of the Chief Constable for Leicestershire" (OCC) respectively.

The group and its individual bodies continue to be bound by the requirements of existing legislation/regulations related to its accounting and audit obligations – i.e. the Local Government Act 2003, the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011. Accounts for the group therefore need to be produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code") and subject to audit.

The way in which the Group operates both in consolidation and as individual bodies is described and controlled by the locally agreed Corporate Governance Framework. The Framework sets out the overriding principle of the PCC having ownership of the assets and liabilities whilst being the contracting body that is legally responsible for all income and expenditure. However in referring directly to both the Chief Constable's operational independence and "direction and control" of the Force it recognises that the Chief will have to consume resources in order to deliver the aims of the Policing Plan.

In producing these accounts, the 'substance over form' principle has been used to ensure that they best represent the reality of how the two Corporations Sole conduct their activities. In applying group accounting principles, transactions and balances are considered on merit and placed within the most appropriate set of single entity primary statements (i.e. the OPCC or the OCC). The Group (or consolidated) position is produced first, followed by a process of disaggregation that results in an intra-group balance within both single entity balance sheets.

The major headlines regarding the split of transaction and balances between both Corporations Sole are as follows:

- The 'Cost of Policing' is charged to the OCC together with a credit for the corresponding income that was received by the PCC.
- All non-current assets remain on the OPCC's balance sheet and all transactions related to those assets flow through the OPCC's accounts. However, a proxy charge is made to the OCC in respect of their 'consumption' in recognition of the Chief Constable's operational use of the PCC's assets.
- All reserves (whether usable or unusable) remain on the OPCC's balance sheet.
- All bank/investment balances together with outstanding debt remain on the OPCC's balance sheet.
- All transactions related to the Police Officer pension schemes (i.e. IAS 19) are transferred to the Chief Constable when disaggregating the Group accounts
- A proportionate share of the Police Staff pension scheme (equivalent to the % of staff employed by the PCC) transactions have been retained within the OPCC's accounts with the remainder transferring to the Chief Constable.
- The receipt (and closing debtor) of the Pension Fund top-up grant payable by the Home Office in support of the Police Officer pension scheme(s) has been fully accounted for within the Chief Constable's accounts. Whilst the cash is received by the PCC through his bank account, it is recognised that he does so on behalf of the Chief Constable.
- The share (in effect the majority) of the accrual for employee benefits at the balance sheet date (including annual leave, rest day and time-off in lieu) has been transferred to the Chief Constable in recognition of its inherent link to the employment of staff and the responsibility to bear costs.
- All debtor and creditor accounts (i.e. PAYE or net pay accounts) that are directly attributable to the employment of either police officers or staff have been transferred in full to the Chief Constable's balance sheet.

- On each single entity balance sheet an entry has been made to reflect an intra-group account that balances working capital for the Chief Constable. This is in recognition of the fact that the Chief does not hold cash resources of his own and that any liabilities are paid by the PCC together with any cash receipts related to debtors.

The accounting methodology employed does go some distance to presenting a “cost of policing” to the reader of the Chief Constable’s accounts. However because of the complexity inherent in accounts presented on an IFRS basis, it is recommended that the Group accounts be used as a comprehensive financial report for the public-facing brand that is ‘Leicestershire Police’.

The following table demonstrates the movement through the intra-group account within the Balance Sheets of the Group and its constituent bodies during 2014/15. This transfer reflects the cost of resources consumed by the Chief Constable in delivering the policing plan as set by the PCC. From the table below it can be seen that the closing balance on each single entity balance sheet represents the net debtors/creditors transferred to the Chief Constable when disaggregating the Group balance sheet.

2013/14			Guarantee to/from the PCC	2014/15		
OPCC £000	OCC £000	Group £000		OPCC £000	OCC £000	Group £000
(1,030)	1,030	-	<b>Opening balance at 1<sup>st</sup> April</b>	2,315	(2,315)	-
(171,717)	171,717	-	OPCC's resources consumed by the OCC	(170,407)	170,407	-
171,717	(171,717)	-	OPCC intra-group adjustment	170,407	(170,407)	-
3,345	(3,345)	-	Movement in the financial guarantee by the PCC to support the Chief Constable's working capital requirement	(621)	621	-
<b>2,315</b>	<b>(2,315)</b>	<b>-</b>	<b>Closing balance at 31<sup>st</sup> March</b>	<b>1,694</b>	<b>(1,694)</b>	<b>-</b>

It should be noted that the intra-group account may alternate between being a debit or credit balance within the Chief Constable’s balance sheet due to timing differences in the relative levels of debtors and creditors related to employment that exist. In particular, the debtor related to the Home Office grant that part-funds the Police Pension Scheme(s) can fluctuate significantly each year.

### **1. Adjustments between accounting basis and funding basis under regulations (Group & OPCC)**

This note details the adjustments that are made to the Comprehensive Income & Expenditure recognised by the OPCC/Group in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the OPCC/Group to meet future capital and revenue expenditure.



# Notes to the core financial statements

	Usable reserves					Movement in unusable reserves
	General fund balance	Farmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	
	£000	£000	£000	£000	£000	
<b>GROUP</b>						
2014/15						
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</b>						
Charges for depreciation and impairment of non-current assets	3,313	-	-	-	3,313	(3,313)
Revaluation (gains) / losses on property, plant and equipment	1,816	-	-	-	1,816	(1,816)
Revaluation of current assets (assets held for sale)	-	-	-	-	-	-
Movements in the market value of investment property	-	-	-	-	-	-
Amortisation of intangible assets	-	-	-	-	-	-
Capital grants & contributions applied	511	-	-	-	511	(511)
Revenue expenditure funded from capital under statute	(2,063)	-	-	-	(2,063)	2,063
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	94	-	-	-	94	(94)
<b>Insertion of items not debited or credited to the CIES</b>	233	-	-	-	233	(233)
Statutory provision for the financing of capital investment	(1,272)	-	-	-	(1,272)	1,272
Capital expenditure charged against the general fund	(1,014)	-	-	-	(1,014)	1,014
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	264,043	-	-	-	264,043	(264,043)
Employer's pensions contributions and direct payments to pensioners payable in the year	(26,637)	-	-	-	(26,637)	26,637
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Difference between council tax receipts on an accruals basis and on a cash received basis	(343)	-	-	-	(343)	343
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the CIES	(208)	-	-	208	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
<b>Adjustments primarily involving the Revaluation Reserve</b>						
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	(1,952)	-	-	-	(1,952)	1,952
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(583)	-	583	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(629)	-	(629)	629
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	46	-	46	(46)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-
<b>Adjustments primarily involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	144	-	-	-	144	(144)
<b>Total adjustments</b>	<b>236,082</b>	<b>-</b>	<b>-</b>	<b>208</b>	<b>236,290</b>	<b>(236,290)</b>

# Notes to the core financial statements

	Usable reserves					Capital grants & contributions unapplied	Total usable reserves	Movement in unusable reserves
	General fund balance	earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves			
	£000	£000	£000	£000	£000	£000	£000	
<b>GROUP</b>								
2013/14								
<b>Adjustments primarily involving the Capital Adjustment Account</b>								
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</b>								
Charges for depreciation and impairment of non-current assets	3,152	-	-	-	-	3,152	(3,152)	
Revaluation (gains) / losses on property, plant and equipment	2,388	-	-	-	-	2,388	(2,388)	
Revaluation of current assets (assets held for sale)	42	-	-	-	-	42	(42)	
Movements in the market value of investment property	(266)	-	-	-	-	(266)	266	
Amortisation of intangible assets	601	-	-	-	-	601	(601)	
Capital grants & contributions applied	(1,976)	-	-	-	-	(1,976)	1,976	
Revenue expenditure funded from capital under statute	346	-	-	-	-	346	(346)	
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	1,862	-	-	-	-	1,862	(1,862)	
<b>Insertion of items not debited or credited to the CIES</b>								
Statutory provision for the financing of capital investment	(1,279)	-	-	-	-	(1,279)	1,279	
Capital expenditure charged against the general fund	(2,371)	-	-	-	-	(2,371)	2,371	
<b>Adjustments primarily involving the Pensions Reserve</b>								
Reversal of items relating to retirement benefits debited or credited to the CIES	56,746	-	-	-	-	56,746	(56,746)	
Employer's pensions contributions and direct payments to pensioners payable in the year	(27,566)	-	-	-	-	(27,566)	27,566	
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>								
Difference between council tax receipts on an accruals basis and on a cash received basis	(640)	-	-	-	-	(640)	640	
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>								
Capital grants and contributions unapplied credited to the CIES	-	-	-	-	-	-	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	(1)	-	(1)	1	
<b>Adjustments primarily involving the Revaluation Reserve</b>								
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	10	-	-	-	-	10	(10)	
<b>Adjustments primarily involving the Capital Receipts Reserve</b>								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(1,014)	-	1,014	-	-	-	-	
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(1,014)	-	-	(1,014)	1,014	
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(48)	-	-	-	-	(48)	48	
<b>Adjustments primarily involving the Accumulated Absences Account</b>								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(138)	-	-	-	-	(138)	138	
<b>Total adjustments</b>	<b>29,849</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>29,848</b>	<b>(29,848)</b>	

# Notes to the core financial statements

	Usable reserves					Movement in unusable reserves
	General fund balance	Farmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</b>						
Charges for depreciation and impairment of non-current assets	3,313	-	-	-	3,313	(3,313)
Revaluation (gains) / losses on property, plant and equipment	1,816	-	-	-	1,816	(1,816)
Revaluation of current assets (assets held for sale)	-	-	-	-	-	-
Movements in the market value of investment property	-	-	-	-	-	-
Amortisation of intangible assets	511	-	-	-	511	(511)
Capital grants & contributions applied	(2,063)	-	-	-	(2,063)	2,063
Revenue expenditure funded from capital under statute	94	-	-	-	94	(94)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	233	-	-	-	233	(233)
<b>Insertion of items not debited or credited to the CIES</b>						
Statutory provision for the financing of capital investment	(1,272)	-	-	-	(1,272)	1,272
Capital expenditure charged against the general fund	(1,014)	-	-	-	(1,014)	1,014
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	350	-	-	-	350	(350)
Employer's pensions contributions and direct payments to pensioners payable in the year	(59)	-	-	-	(59)	59
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Difference between council tax receipts on an accruals basis and on a cash received basis	(343)	-	-	-	(343)	343
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the CIES	(208)	-	-	208	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
<b>Adjustments primarily involving the Revaluation Reserve</b>						
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	(1,952)	-	-	-	(1,952)	1,952
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(583)	-	583	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(629)	-	(629)	629
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	46	-	46	(46)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-
<b>Adjustments primarily involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	17	-	-	-	17	(17)
<b>Total adjustments</b>	<b>(1,160)</b>	<b>-</b>	<b>-</b>	<b>208</b>	<b>(952)</b>	<b>952</b>

# Notes to the core financial statements

	Usable reserves					Capital grants & contributions unapplied	Total usable reserves	Movement in unusable reserves
	General fund balance	Farmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves			
	£000	£000	£000	£000	£000	£000	£000	
<b>OPCC</b>								
2013/14								
<b>Adjustments primarily involving the Capital Adjustment Account</b>								
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</b>								
Charges for depreciation and impairment of non-current assets	3,152	-	-	-	-	3,152	(3,152)	
Revaluation (gains) / losses on property, plant and equipment	2,388	-	-	-	-	2,388	(2,388)	
Revaluation of current assets (assets held for sale)	42	-	-	-	-	42	(42)	
Movements in the market value of investment property	(266)	-	-	-	-	(266)	266	
Amortisation of intangible assets	601	-	-	-	-	601	(601)	
Capital grants & contributions applied	(1,976)	-	-	-	-	(1,976)	1,976	
Revenue expenditure funded from capital under statute	346	-	-	-	-	346	(346)	
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	1,862	-	-	-	-	1,862	(1,862)	
<b>Insertion of items not debited or credited to the CIES</b>								
Statutory provision for the financing of capital investment	(1,279)	-	-	-	-	(1,279)	1,279	
Capital expenditure charged against the general fund	(2,371)	-	-	-	-	(2,371)	2,371	
<b>Adjustments primarily involving the Pensions Reserve</b>								
Reversal of items relating to retirement benefits debited or credited to the CIES	245	-	-	-	-	245	(245)	
Employer's pensions contributions and direct payments to pensioners payable in the year	(47)	-	-	-	-	(47)	47	
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>								
Difference between council tax receipts on an accruals basis and on a cash received basis	(640)	-	-	-	-	(640)	640	
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>								
Capital grants and contributions unapplied credited to the CIES	-	-	-	-	-	-	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	(1)	-	(1)	1	
<b>Adjustments primarily involving the Revaluation Reserve</b>								
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	10	-	-	-	-	10	(10)	
<b>Adjustments primarily involving the Capital Receipts Reserve</b>								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(1,014)	-	1,014	-	-	-	-	
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(1,014)	-	-	(1,014)	1,014	
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(48)	-	-	-	-	(48)	48	
<b>Adjustments primarily involving the Accumulated Absences Account</b>								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	7	-	-	-	-	7	(7)	
<b>Total adjustments</b>	<b>1,012</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>1,011</b>	<b>(1,011)</b>	

**2. Subjective analysis (Group)**

This note provides an alternative breakdown of the Group's *cost of services* using descriptions used in the Group's internal management reporting. It is provided to allow the reader of these financial statements an opportunity to see what the major areas of expenditure and income are for the Group.

It should be noted that this analysis includes some items within *cost of services* that are not required to be charged against the general fund for council tax purposes – this analysis does not therefore constitute the revenue budget of the Group.

2013/14 Outturn £000		Note	2014/15 Outturn £000
105,883	Police officer pay and allowances		102,643
45,885	Police staff pay and allowances		46,969
4,514	Police pensions		3,676
16,860	IAS 19 Current Cost Adjustment (pensions)	30	12,913
1,166	Other employees expenses		1,312
5,165	Premises		5,050
3,135	Transport		2,969
13,437	Supplies and services		14,642
3,174	Agency and contracted services		5,156
1,105	The Office of the Police and Crime Commissioner		1,103
2,949	Commissioning Activities by the PCC		3,634
346	Revenue expenditure financed from capital resources (REFCUS)	14/33	94
3,753	Depreciation & amortisation charges	13/14	3,824
-	(Surplus) / deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	3	1,816
30	Non-distributed costs regarding pensions	30	(804)
<b>207,402</b>	<b>Gross operating expenditure</b>		<b>204,997</b>
(4,658)	Income from government grants	12	(4,535)
(7,470)	Income from fees and charges		(7,449)
(2,758)	Contributions from other local authorities		(5,726)
(1,667)	Commissioning grant		(1,202)
<b>190,849</b>	<b>Cost of services</b>		<b>186,085</b>
737	Other operating expenditure	4	(441)
68,957	Financing and investment income & expenditure	5	71,781
(176,193)	Taxation & non-specific grant income	6	(174,673)
<b>84,350</b>	<b>(Surplus) or deficit on provision of services</b>		<b>82,752</b>
2,397	(Surplus) / deficit on revaluation of non-current assets	32	(1,952)
(37,060)	Actuarial (gains) / losses on pension assets/liabilities	30	175,063
(19,257)	Grant received from the Home Office in respect of the pension fund account	29	(20,913)
<b>(53,920)</b>	<b>Other comprehensive income &amp; expenditure</b>		<b>152,198</b>
<b>30,430</b>	<b>Total comprehensive income &amp; expenditure</b>		<b>234,950</b>

### 3. Amounts reported for resource allocation decisions (Group)

The financial performance of the Group is communicated in a different format to the chief operating decision makers (the PCC and Chief Constable) to that shown in these financial statements.

Performance is analysed internally by Directorate and departments and some budgets (for example police pay & allowances) are not devolved to those cost-centres.

The Group does not report its financial performance internally on a subjective basis to the chief operating decision makers, rather it is reported on the basis of net expenditure against budget.

No charges are made to budgets in respect of capital accounting (i.e. depreciation, revaluations, impairment losses and amortisation) although capital expenditure is charged to revenue in the form of a *revenue contribution to capital*.

The cost of retirement benefits is based on cash flows in the year (i.e. payment of employer's contributions) rather than the current service cost approach advocated by IAS 19.

On the following pages is a reproduction of the Group's outturn reports for 2013/14 and 2014/15 together with a reconciliation of the net expenditure figure to the total comprehensive income & expenditure figure shown at the foot of the Comprehensive Income & Expenditure Statement.

It should be noted that financial performance is not reported separately for the activities of the OCC and the OPCC – rather the costs of the OPCC are shown as a separate line ("The Office of the PCC" on the following reports) on the Group report.

A table is provided at the end of this note which shows how the intra-group transfer between the OPCC and the OCC can be calculated from the revenue outturn.

# Notes to the core financial statements

## LEICESTERSHIRE POLICE Provisional Revenue Outturn 2014/15

	a	b	c	d	e	f	g
	Revised Budget	Provisional Outturn	Year-End Commitments	Submitted Business Cases	Balance (b+c+d-a)	February Forecast	Movement (e-f)
	£000	£000	£000	£000	£000	£000	£000
<b>DELEGATED BUDGETS</b>							
Local Policing / 24-7 Policing / FIU	3,656	3,534	45	10	(67)	(53)	(14)
<b>Crime &amp; Intelligence</b>							
Crime & Intelligence Command	761	795	62	-	96	74	22
Investigation Management Unit	172	173	-	-	1	(19)	20
Criminal Justice	6,137	5,735	124	-	(278)	(347)	69
Neighbourhood Investigations	824	710	1	-	(113)	(92)	(21)
Serious Crime	1,937	1,853	12	63	(9)	(13)	4
SARCs	-	-	-	-	-	-	-
MAPPAs	-	-	-	-	-	-	-
Forensic Services	2,759	2,549	139	-	(71)	(66)	(5)
Force Intelligence Bureau	3,343	3,167	38	46	(92)	(77)	(15)
Regional Special Branch	238	222	2	18	4	-	4
Regional Major Crime (Leicestershire)	783	705	-	-	(78)	-	(78)
<b>Sub Total</b>	<b>16,954</b>	<b>15,909</b>	<b>378</b>	<b>128</b>	<b>(540)</b>	<b>(540)</b>	<b>-</b>
<b>Operational Departments</b>							
Contact Management Department	8,906	8,671	28	190	(17)	(164)	147
EMOpSS (Leicestershire)	2,492	2,449	25	-	(18)	-	(18)
Specials	147	137	4	-	(6)	(18)	12
<b>Sub Total</b>	<b>11,545</b>	<b>11,257</b>	<b>57</b>	<b>190</b>	<b>(41)</b>	<b>(182)</b>	<b>141</b>
<b>Corporate Services Directorate</b>							
Corporate Services	1,219	1,174	31	5	(9)	-	(9)
Change Team	176	176	-	-	-	-	-
Professional Standards	904	877	27	-	-	-	-
<b>Sub Total</b>	<b>2,299</b>	<b>2,227</b>	<b>58</b>	<b>5</b>	<b>(9)</b>	<b>-</b>	<b>(9)</b>
Corporate Comms & Engagement	762	733	-	29	-	-	-
<b>Business Support Departments</b>							
Human Resources	1,619	1,557	13	-	(49)	(30)	(19)
Learning & Development	1,219	1,004	20	-	(195)	(179)	(16)
Information Technology	5,672	5,611	29	-	(32)	(64)	32
Procurement & Support Services	1,961	1,864	18	15	(64)	(84)	20
Estates	1,647	1,566	80	-	(1)	-	(1)
Finance	1,037	1,024	13	-	-	-	-
Transport Unit	974	1,047	-	-	73	20	53
<b>Sub Total</b>	<b>14,129</b>	<b>13,673</b>	<b>173</b>	<b>15</b>	<b>(268)</b>	<b>(337)</b>	<b>69</b>
<b>The Office of the PCC</b>							
The Office of the PCC	1,031	1,010	-	-	(21)	-	(21)
OPCC Commissioning	3,502	3,502	-	-	-	-	-
Survey & Consultation	61	51	-	-	(10)	-	(10)
<b>Subtotal</b>	<b>4,594</b>	<b>4,563</b>	<b>-</b>	<b>-</b>	<b>(31)</b>	<b>-</b>	<b>(31)</b>
<b>TOTAL DELEGATED</b>	<b>53,939</b>	<b>51,896</b>	<b>711</b>	<b>376</b>	<b>(956)</b>	<b>(1,112)</b>	<b>156</b>
<b>REGIONAL COLLABORATION</b>							
EMSOU (Leicestershire Cash Contribution)	1,945	1,970	-	-	25	(121)	146
Regional Collaboration Command Team	183	185	-	-	2	35	(33)
Regional TSU (Cash Contribution)	515	503	-	-	(12)	(28)	16
Regional Major Crime (Regional SMT)	277	277	-	-	-	(23)	23
Regional Criminal Justice	59	52	-	-	(7)	(22)	15
Regional Forensic Services	982	796	186	-	-	(30)	30
Regional Occupational Health (Cash Contribution)	376	388	-	-	12	26	(14)
Regional Learning & Development (Cash Contribution)	655	655	-	-	-	(40)	40
Regional Legal Services	262	263	-	-	1	6	(5)
Regional HR Service Centre	582	627	-	-	45	39	6
Regional Operations (Cash Contribution)	185	134	-	-	(51)	(56)	5
<b>TOTAL REGIONAL COLLABORATION</b>	<b>6,021</b>	<b>5,850</b>	<b>186</b>	<b>-</b>	<b>15</b>	<b>(214)</b>	<b>229</b>
<b>CORPORATE BUDGETS</b>							
Central Items (Inflation & Financing etc)	7,284	8,298	905	-	1,919	2,299	(380)
Non Mainstream Funding	(171)	(171)	-	-	-	-	-
POCA	-	-	-	-	-	-	-
Police Community Support Officers	6,610	6,610	-	-	-	-	-
Police Pensions	3,431	3,676	-	-	245	199	46
Road Safety Unit	-	-	-	-	-	-	-
Vehicle Recovery Scheme	(30)	(65)	-	-	(35)	(42)	7
Police Pay, Allowances & Seconded Officers Income	95,977	93,887	-	-	(2,090)	(1,895)	(195)
ECU Forfeiture	-	-	-	-	-	-	-
Funding Gap	(454)	-	-	-	454	454	-
<b>TOTAL CORPORATE</b>	<b>112,647</b>	<b>112,235</b>	<b>905</b>	<b>-</b>	<b>493</b>	<b>1,015</b>	<b>(522)</b>
<b>GRAND TOTAL</b>	<b>172,607</b>	<b>169,981</b>	<b>1,802</b>	<b>376</b>	<b>(448)</b>	<b>(311)</b>	<b>(137)</b>

# Notes to the core financial statements

## LEICESTERSHIRE POLICE Revenue Outturn 2013/14

	a	b	c	e	f	g
	Revised Budget	Provisional Outturn	Year-End Commitments / Purchase Orders	Balance (b+c+d-a)	February Forecast	Movement (e-f)
	£000	£000	£000	£000	£000	£000
<b>DELEGATED BUDGETS</b>						
<b>Basic Command Units</b>						
Counties	2,883	2,868	15	-	-	-
City	2,483	2,370	113	-	-	-
<b>Sub Total</b>	<b>5,366</b>	<b>5,238</b>	<b>128</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Delivering Justice Directorate</b>						
Delivering Justice Command	844	978	159	293	332	(39)
Criminal Justice	5,086	5,560	59	(367)	(338)	(29)
Serious Crime	895	945	-	50	35	15
Safeguarding	1,823	1,731	-	(92)	(112)	20
Forensic Services	3,718	3,507	62	(149)	(122)	(27)
Force Intelligence Bureau	3,331	3,208	67	(56)	(44)	(12)
Major Crime	784	1,077	-	293	203	90
<b>Sub Total</b>	<b>17,381</b>	<b>17,006</b>	<b>347</b>	<b>(28)</b>	<b>(46)</b>	<b>18</b>
<b>Tasking Directorate</b>						
Contact Management Department	7,735	7,665	39	(1)	(2)	1
Operations	2,702	2,614	81	(7)	22	(29)
Specials	116	101	-	(15)	(20)	5
<b>Sub Total</b>	<b>10,553</b>	<b>10,410</b>	<b>120</b>	<b>(23)</b>	<b>-</b>	<b>(23)</b>
<b>Corporate Services Directorate</b>						
Corporate Services	1,434	1,399	35	-	-	-
Corporate Communications	610	513	97	-	(65)	65
Professional Standards	872	822	50	-	1	(1)
<b>Sub Total</b>	<b>2,916</b>	<b>2,734</b>	<b>182</b>	<b>-</b>	<b>(64)</b>	<b>64</b>
<b>Departments</b>						
Human Resources	1,599	1,511	48	(40)	(40)	-
HR Service Centre	644	570	-	(74)	(99)	25
Learning & Development	1,561	1,448	8	(105)	(38)	(67)
Information Technology	5,247	5,181	65	(1)	(12)	11
Procurement & Support Services	1,927	1,900	27	-	(4)	4
Estates	1,671	1,671	-	-	-	-
Finance	969	945	24	-	-	-
Transport Unit	1,032	1,006	24	(2)	-	(2)
<b>Sub Total</b>	<b>14,650</b>	<b>14,232</b>	<b>196</b>	<b>(222)</b>	<b>(193)</b>	<b>(29)</b>
The Office of the PCC	1,050	1,050	-	-	-	-
OPCC - Community Safety Fund	1,105	1,105	-	-	-	-
<b>TOTAL DELEGATED</b>	<b>53,021</b>	<b>51,775</b>	<b>973</b>	<b>(273)</b>	<b>(303)</b>	<b>30</b>
<b>REGIONAL COLLABORATION</b>						
EMSOU (Leicestershire Cash Contribution)	2,056	2,024	-	(32)	39	(71)
Regional Collaboration Command Team	227	208	-	(19)	(20)	1
Regional Special Branch (inc. DSP)	264	210	7	(47)	-	(47)
Regional TSU (Cash Contribution)	517	509	-	(8)	(21)	13
Regional Major Crime (Command Team)	326	326	-	-	(6)	8
Regional Occupational Health (Cash Contribution)	333	364	-	31	20	11
Regional Learning & Development (Cash Contribution)	676	635	-	(41)	(83)	22
Regional Legal Services	256	250	-	(6)	(11)	5
Regional Operations	-	24	-	24	25	(1)
<b>TOTAL REGIONAL COLLABORATION</b>	<b>4,655</b>	<b>4,550</b>	<b>7</b>	<b>(98)</b>	<b>(37)</b>	<b>(61)</b>
<b>CORPORATE BUDGETS</b>						
Central Items (Inflation, Financing etc.)	6,954	7,040	1,172	1,258	1,111	147
Non Main-Stream and BCU Funding	6,328	6,305	23	-	-	-
POCA	2	2	-	-	-	-
Police Community Support Officers	-	-	-	-	-	-
Police Pensions	2,796	4,514	-	1,718	1,698	20
Road Safety Unit	-	-	-	-	-	-
Vehicle Recovery Scheme	(10)	(52)	-	(42)	(33)	(9)
Police Pay, Allowances & Seconded Officers Income	99,831	97,211	-	(2,620)	(2,589)	(31)
ECU Forfeiture	-	-	-	-	-	-
Transfer to Earmarked Reserves	-	-	-	-	-	-
<b>TOTAL CORPORATE</b>	<b>115,901</b>	<b>115,020</b>	<b>1,195</b>	<b>314</b>	<b>187</b>	<b>127</b>
<b>GRAND TOTAL</b>	<b>173,577</b>	<b>171,345</b>	<b>2,175</b>	<b>(57)</b>	<b>(153)</b>	<b>96</b>

NB. The revised budget figure of £173,577k differs from the approved 13/14 budget figure of £173,490k due to the retrospective award of additional DCLG grant of £87.9k



**Reconciliation between segmental reporting & the Comprehensive Income & Expenditure Statement (Group)**

2013/14 £000		Note	2014/15 £000
171,345	Net expenditure per outturn report		169,981
(747)	Reverse transfer to the General Fund made in-year		-
<b>170,598</b>	<b>Revised net expenditure</b>		<b>169,981</b>
2,175	Carry-forward requests		1,802
-	Business cases		376
<b>172,773</b>	<b>Net expenditure before transfer to budget equalisation reserve</b>		<b>172,159</b>
57	Transfer to budget equalisation reserve		448
<b>172,830</b>	<b>Net expenditure for year (management accounts)</b>		<b>172,607</b>
(49,380)	Council tax income (cash basis)	36.3	(51,845)
(80,897)	Police grant	6	(78,936)
(43,300)	Non-domestic rates	6	(41,278)
-	Victims & Witnesses Grant		(548)
<b>(747)</b>	<b>Movement on general fund balance (management accounts)</b>		<b>-</b>
1,328	Reverse effect of transfer (to)/from earmarked reserves	27	(1,132)
29,849	Adjustments between accounting basis & funding basis under regulations	1	236,082
<b>30,430</b>	<b>Total comprehensive income &amp; expenditure (Group)</b>		<b>234,950</b>

**Reconciliation between segmental reporting & the intra-group transfer between the OPCC and OCC**

2013/14 £000		Note	2014/15 £000
170,598	<b>Net expenditure per outturn report (revised)</b>		<b>169,981</b>
-	(Remove) Victims & Witness Grant		(548)
(1,081)	(Remove)/add items not charged to "Cost of Services" on the Comprehensive Income & Expenditure Statement		(756)
(2,205)	Remove revenue outturn for the OPCC		(4,038)
76	Recharged expenditure from the OPCC related to Corporate Management		85
346	Add revenue expenditure funded from capital under statute (REFCUS)	1	94
3,753	Add charges for depreciation and amortisation of non-current Assets	1	3,824
-	Add surplus or deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	1	1,816
230	Other Group Accounting adjustments		(51)
<b>171,717</b>	<b>Intra-group transfer between OPCC and OCC in respect of resources consumed</b>		<b>170,407</b>

**4. Other operating expenditure (Group & OPCC)**

This line on the Comprehensive Income & Expenditure Statement includes the following items:

2013/14 Outturn £000		Note	2014/15 Outturn £000
695	(Gains)/losses on the disposal of non-current assets	13/14	(441)
42	(Gains)/losses on the revaluation of assets held for sale	16	-
<b>737</b>			<b>(441)</b>

**5. Financing and investment income & expenditure (Group & OPCC)**

This line on the Comprehensive Income & Expenditure Statement includes the following items:

2013/14 Outturn £000	Group	Note	2014/15 Outturn £000
795	Interest payable and similar charges		771
68,607	Pensions net interest cost	30	71,147
(142)	Interest receivable and similar income		(116)
(37)	Income and expenditure in relation to investment properties		(21)
(266)	Changes in the market value of investment properties	33	-
<b>68,957</b>			<b>71,781</b>

2013/14 Outturn £000	OPCC	Note	2014/15 Outturn £000
795	Interest payable and similar charges		771
20	Pensions net interest cost	30	31
(142)	Interest receivable and similar income		(116)
(37)	Income and expenditure in relation to investment properties		(21)
(266)	Changes in the market value of investment properties	33	-
<b>370</b>			<b>665</b>

### 6. Taxation and non-specific grant income (Group & OPCC)

This line on the Comprehensive Income & Expenditure Statement includes the following items:

2013/14 Outturn £000		Note	2014/15 Outturn £000
(50,020)	Council tax income	9	(52,188)
(80,897)	Police grant	36.3	(78,936)
(43,300)	Non-domestic rates	36.3	(41,278)
(1,976)	Capital grants and contributions		(2,271)
<b>(176,193)</b>			<b>(174,673)</b>

Council tax income is presented on an accruals basis whilst police grant, revenue support grant and non-domestic rates are presented on a cash basis – the full amount having been received in the year. Further explanation regarding the accounting treatment for council tax can be seen in accounting policy A5.

A breakdown of the amounts received from each billing authority can be seen in note 9 – Related parties (on an accruals basis)

**7. Officers' remuneration (Group & OPCC)**

The remuneration paid to the OPCC/Group's senior officers and relevant police officers is as follows:

2014/15		Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£ note 1	£ note 2	£	£
<b>The Office of the CC</b>							
Chief Constable		141,330	-	4,540	5,430	34,202	185,502
Deputy Chief Constable)		116,596	6,238	6,960	62	-	129,856
Assistant Chief Constable		95,245	2,206	3,225	5,492	23,050	129,218
Senior Police Officer I		95,245	2,541	3,423	5,089	23,050	129,348
Senior Police Officer J							
Finance Director		91,021	-	-	5,435	15,200	111,656
Director of Human Resources		92,539	-	-	5,494	15,454	113,487
		631,976	10,985	18,148	27,002	110,956	799,067
<b>Office of the PCC</b>							
Chief Executive		94,102	-	-	5,027	15,715	114,844
Chief Financial Officer		80,948	-	-	5,027	13,518	99,493
		175,050	-	-	10,054	29,233	214,337
	<b>Group</b>	807,026	10,985	18,148	37,056	140,189	1,013,404

**Note 1** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependant upon when the officer joined the Force).

**Note 2** - Expense allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

**Note 3** – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

**Note 4** – No Compensation payments for the loss of office have been made during 2014/15

## Notes to the core financial statements

2013/14		Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
			£	£	£	£	£	£
<b>Office of CC</b>								
Chief Constable		1	139,931	3,716	4,540	1,231	33,863	183,281
Deputy Chief Constable		2	123,202	5,422	6,132	124	29,356	164,236
Assistant Chief Constable		3	85,130	1,229	3,031	2,753	20,319	112,462
Senior Police Officer D (Retired 8 <sup>th</sup> January)		4	19,792	1,080	2,438	26	4,790	28,126
Senior Police Officer H (Retired 16 <sup>th</sup> June)		5	74,508	3,176	2,544	199	18,031	98,458
Senior Police Officer I (Commenced 17 <sup>th</sup> June)		5	74,508	3,388	2,700	98	18,031	98,725
Finance Director			90,480	-	-	5,403	14,205	110,088
Director of Human Resources			91,988	-	-	5,409	14,442	111,839
			699,539	18,011	21,385	15,243	153,037	907,215
<b>Office of the PCC</b>								
Chief Executive		6	93,543	-	-	1,239	-	94,782
Chief Financial Officer (Commenced 4 <sup>th</sup> November)		7	32,993	-	-	-	5,180	38,173
Chief Financial Officer - Interim (Commenced 31 <sup>st</sup> August - 3 <sup>rd</sup> November)		7	17,500	-	-	-	-	17,500
Chief Financial Officer - Interim (Ceased 6 <sup>th</sup> September)		7	56,798	-	-	-	-	56,798
			200,834	-	-	1,239	5,180	207,253
			900,373	18,011	21,385	16,482	158,217	1,114,468
<b>Group</b>								

**Note 1** – The annualised salary of the Chief Constable for Leicestershire is **£140,511** (01/09/2013).

**Note 2** – The annualised salary of the Deputy Chief Constable is **£115,920** (01/09/2013). The Deputy Chief Constable covered for the Chief Constable between the 2<sup>nd</sup> July and 28<sup>th</sup> October 2013.

**Note 3** – Senior Police Officer D was temporary promoted to the role of Deputy Chief Constable from the 2<sup>nd</sup> July 2013 until their retirement on the 8<sup>th</sup> January 2014.

**Note 4** – Temporary Promoted Senior Police Officer H (annualised salary **£90,726**) retired on the 16<sup>th</sup> June 2013.

**Note 5** – Senior Police Officers I & J commenced with the Force on the 17<sup>th</sup> June 2013 on an annualised salary of **£94,692**.

**Note 6** – The annualised salary of the Chief Executive is **£93,930**.

**Note 7** – The OPCC's Chief Finance Officer was covered by two interim appointments (not directly employed by the OPCC) for the period 1<sup>st</sup> April to 3<sup>rd</sup> November. A substantive Chief Financial Officer commenced on the 4<sup>th</sup> February 2013 on an annualised salary of **£80,800**.

**Note 8** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependant upon when the officer joined the Force).

**Note 9** - Expense allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

The OPCC for Leicestershire

## Notes to the core financial statements

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

### Group

Remuneration band £	2013/14		2014/15	
	number of employees		number of employees	
50,000 to 54,999	3		6	
55,000 to 59,999	5		2	
60,000 to 64,999	4		6	
65,000 to 69,999	2		1	
70,000 to 74,999	1		2	
75,000 to 79,999	2		-	
80,000 to 84,999	4		5	
85,000 to 89,999	2		2	
90,000 to 94,999	-		-	
95,000 to 99,999	1		-	
155,000 to 160,000	-		-	

- The bandings only include the remuneration of employees and relevant police officers who have not been disclosed individually; i.e. above the rank of Superintendent.
- One of the officers included in the figures above have been seconded to other organisations for the duration of 2014/15; their employment costs have been fully reimbursed.
- Leicestershire OPCC is the lead employer for the following regional teams; East Midlands Special Operations Unit, East Midlands Collaborative Human Resources Service (EMCHRS) Learning & Development and Occupational Health and the Regional Collaboration Team, eight of the police staff employees and three police officers included in the table above work in the regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

### Group

exit package cost band (including special payments)	number of compulsory redundancies		number of other departures agreed		total number of exit packages by cost band		total cost of exit packages in each band £	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	4	17	5	9	9	26	£73,937	£195,817
£20,001 - £40,000	1	1	-	2	1	3	£20,073	£81,100
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
<b>total</b>	<b>5</b>	<b>18</b>	<b>5</b>	<b>11</b>	<b>10</b>	<b>29</b>	<b>£94,010</b>	<b>£276,917</b>

The OPCC/Group terminated the contracts of a number of employees in 2014/15, incurring liabilities of £277k (£94k in 2013/14). The £277k is payable to staff from a number of departments as part of the ongoing savings strategy.

**8. Jointly Controlled Operations (Group & OPCC)**

The OPCC/Group participates in collaborative arrangements with Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. The police officers involved are seconded from the individual forces and all costs are borne in agreed proportions. Not all of the Collaborations include all 5 forces. The following table relates to Leicestershire's share only. Further details on the Goup's collaborative units and partners is given in note 47 – accounting policy A23.

**8.1 Comprehensive Income & Expenditure Statement Jointly Controlled Operations**

2013/14 £000		2014/15 £000
1,254	Police pay & allowances	1,290
2,010	Police Staff pay & allowances	3,315
75	Other employees expenses	94
125	Premises	53
308	Transport	223
662	Supplies & services	984
(712)	Agency & contracted services	45
(574)	Income from Government Grants	(717)
(88)	Income from Fees & charges	(154)
(3,338)	Income from Partners	(5,503)
-	Revenue Expenditure Funded from Capital Resources	3
98	Depreciation & Amortisation	110
<b>(180)</b>	<b>Cost of Services</b>	<b>(257)</b>
610	Gains /Losses on disposal of non-current assets	-
(1,962)	Capital Grants & Contributions	(313)
<b>(1,532)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(570)</b>
743	(Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)	(35)
<b>(789)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(605)</b>

8.2 Balance Sheet Jointly Controlled Operations

2013/14 £000		2014/15 £000
-	Intangible Fixed Assets	7
1,158	Land & Buildings	1,179
310	Vehicles & equipment	363
-	Assets Under Construction	292
<b>1,468</b>	<b>Total Long Term Assets</b>	<b>1,841</b>
542	Short-term Debtors	260
11	Payments in Advance	7
910	Cash & Cash Equivalents	1,299
<b>1,463</b>	<b>Current Assets</b>	<b>1,566</b>
(605)	Short-term Creditors	(476)
(30)	Receipts in Advance	(23)
(65)	Provision for Accumulated Absences	(72)
<b>(700)</b>	<b>Current Liabilities</b>	<b>(571)</b>
<b>763</b>	<b>Net Current Liabilities</b>	<b>995</b>
<b>2,231</b>	<b>Net Assets</b>	<b>2,836</b>
(600)	Earmarked Reserves	(860)
-	Capital Grant Unapplied	(208)
<b>(600)</b>	<b>Usable Reserves</b>	<b>(1,068)</b>
(1,635)	Capital Adjustment Account	(1,746)
(61)	Revaluation Reserve	(94)
65	Accumulated Absences Account	72
<b>(1,631)</b>	<b>Unusable Reserves</b>	<b>(1,768)</b>
<b>(2,231)</b>	<b>Total Reserves</b>	<b>(2,836)</b>



8.3 Movement in Reserves Jointly Controlled Operations

2013/14	2014/15				
Total all JCO Reserves		Total General Fund	Earmarked Reserves	Total Unusable Reserves	Total all JCO Reserves
£000		£000	£000	£000	£000
1,442	<b>Balance Brought Forward</b>	62	538	1,631	2,231
1,532	Surplus or (deficit) on the provision of services	570	-	-	570
(743)	Other comprehensive income & expenditure	35	-	-	35
789	<b>Total comprehensive income &amp; expenditure</b>	605	-	-	605
	Adjustments between accounting basis & funding basis under regulations				
-	Depreciation / amortisation	110	-	(110)	-
-	Disposal of non-current assets	1	-	(1)	-
-	Revaluation of non-current assets	-	-	-	-
-	Capital grants / contributions applied to capital expenditure	(105)	-	105	-
	Revenue Expenditure Funded From Capital (REFCUS)	3	-	(3)	-
-	Charges for Employee Benefits	7	-	(7)	-
-	Capital grants / contributions unapplied credited / debited to CIES	(208)	208	-	-
	<b>Insertion of items not debited or credited to the CIES</b>				
-	Capital expenditure charged against the General Fund	(118)	-	118	-
-	Revaluation of non-current assets not charged to CIES	(35)	-	35	-
789	<b>Net increase/(decrease) before transfers (to)/from earmarked reserves</b>	260	208	137	605
-	Transfers (to)/from earmarked reserves	(260)	260	-	-
789	<b>Increase/(decrease) in 2014/15</b>	-	468	137	605
2,231	<b>Balance at end of year</b>	62	1,006	1,768	2,836

**9. Related parties (Group & OPCC)**

The OPCC/Group is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the OPCC/Group or to be controlled or influenced by the OPCC/Group. Disclosure of these transactions allows readers to assess the extent to which the OPCC/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 freely with the OPCC/Group.

Central government has significant control over the general operations of the OPCC/Group. It is responsible for providing the statutory framework within which the OPCC/Group operates, and provides the majority of funding in the form of general or specific grants. Details of government grants are set out in a note to the Cash Flow Statement.

Senior officers of the OPCC have direct control or influence over the OPCC/Group's financial and operating policies. No material related party transactions have been identified following consultation with former members and relevant officers.

The OPCC/Group participates in nine jointly controlled operations with other neighbouring police forces. Please see note 47 - accounting policy A23 for further details.

In addition to the above, the OPCC/Group also had transactions during the year with other local authorities and public bodies. The transactions have been disclosed elsewhere within the notes to the financial statements.

Precept funding was received from the following local authorities during the year:

2013/14 £000	amounts are shown on an accruals basis	2014/15 £000
(5,158)	Blaby District Council	(5,318)
(8,823)	Charnwood Borough Council	(9,188)
(5,456)	Harborough District Council	(5,692)
(6,035)	Hinckley & Bosworth Borough Council	(6,262)
(11,171)	Leicester City Council	(11,824)
(3,033)	Melton Borough Council	(3,117)
(5,026)	North-West Leicestershire District Council	(5,279)
(2,869)	Oadby & Wigston Borough Council	(2,981)
(2,449)	Rutland County Council	(2,527)
<b>(50,020)</b>	<b>Total</b>	<b>(52,188)</b>

A further analysis of grants and contributions received can be seen in the grant income note (Note 12).

The Police & Crime Commissioner undertakes commissioning activities that result in payments made to a variety of large and small partner organisations (particularly in the public and voluntary/charitable sectors) to commission outcomes against his Police & Crime Plan. In the case of the smallest organisations, these funds may form a significant proportion of their total funding requirement.

**10. External audit costs (Group & OPCC)**

In 2014/15 the OPCC/Group incurred the following fees relating to external audit.

2013/14		Costs	2014/15	
OPCC £000	Group £000		OPCC £000	Group £000
37	54	External audit services	39	57
<b>37</b>	<b>54</b>	<b>Total</b>	<b>39</b>	<b>57</b>

## 11. Leases (Group & OPCC)

### 11.1 OPCC as lessee

#### Finance leases

The OPCC holds two finance leases in respect of the land at the Spinney Hill & two rooms at Market Bosworth. In entering into the Spinney Hill lease in 2005, the OPCC made an initial lump sum payment which negated the need to make further payments to the landlord over the 99 years of the lease. The Market Bosworth lease was signed in April 2005, no initial payment was made but an annual peppercorn rent of £1 is payable for the duration of the 99 year lease.

#### Operating leases

Future minimum lease payments due to be made by the OPCC in respect of non-cancellable operating leases are analysed as follows:

2013/14		2014/15				
Total		Property	Vehicles	Photo-copiers	Vending machines	Total
£000		£000	£000	£000	£000	£000
460	Payments recognised as an expense	298	12	126	24	460
	<b>Minimum lease payments payable:</b>					
29	Not later than one year	17	3	2	1	23
381	Later than one year and not later than five years	5	7	171	68	251
2,912	Later than five years	4,618	-	-	-	4,618

A number of beat offices are used by the OPCC/Group to support its community policing commitments. Many of these offices are rooms or facilities that are owned by other local authorities or organisations that kindly provide use of them to the OPCC/Group. In the majority of cases these facilities are provided informally although some rooms/facilities are more formally documented. The OPCC/Group does not pay for the use of these facilities, take responsibility for repairs and upkeep nor has any intention to seek ownership (whether in full or in part) of these facilities.

### 11.2 OPCC as lessor (Group & OPCC)

#### Operating leases

The OPCC leases out office accommodation and space on radio masts under operating leases for the following purposes:

- Space on radio masts for telecommunication services

The future minimum lease payments receivable under non-cancellable leases in future years are:

2013/14 £000		2014/15 £000
	<b>Minimum lease receivables</b>	
	Receivable:	
73	Not later than one year	72
221	Later than one year and not later than five years	20
665	Later than five years	1,236

## 12. Grant income (Group & OPCC)

The OPCC/Group credited the following grants and contributions to the Comprehensive Income & Expenditure Statement during the year. The grants are included in the cost of services section and also shown separately in the subjective analysis note (note 2)

2013/14 £000		2014/15 £000
	<b>Credited to services:</b>	
(2,121)	Dedicated security grant	(2,310)
(1,126)	Special operations	(790)
(399)	Proceeds of Crime Act	(240)
(142)	Loan charges	(136)
(574)	JCOs (EMSOU & FSS)	(717)
(296)	Others	(342)
<b>(4,658)</b>	<b>Total</b>	<b>(4,535)</b>

The OPCC/Group has received a number of grants and contributions related to capital expenditure that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the source of the funds if not met. These amounts are held within the capital grants receipts in advance account and are as follows:

2013/14 £000	<b>Capital grants receipts in advance</b>	2014/15 £000
(170)	s106 developer contributions	(356)
(19)	Peace Grant	(14)
<b>(189)</b>	<b>Total</b>	<b>(370)</b>

13. Intangible assets (Group & OPCC)

2013/14 £000	Software Licenses	2014/15 £000
	<b>Balance at start of year</b>	
7,716	Gross carrying amounts	7,447
(6,256)	Accumulated amortisation	(6,561)
<b>1,460</b>	<b>Net carrying amount at start of year</b>	<b>886</b>
169	Additions	471
(573)	Disposals	(2,318)
135	Transfers	104
(601)	Amortisation for the period	(511)
296	Amortisation on disposals	2,308
<b>886</b>	<b>Net carrying amount at end of year</b>	<b>940</b>
	Comprising:	
7,447	Gross carrying amounts	5,705
(6,561)	Accumulated amortisation	(4,765)
<b>886</b>		<b>940</b>

*Transfers*

This heading represents the transfer in/(out) of intangible non-current assets between either *assets under construction* (most common) and *assets held for sale* (least common in the case of intangibles) on the balance sheet. The transfer from *assets under construction* in particular occurs regularly as the organisational capital programme delivers outputs.

*Amortisation*

The following useful lives have been used in the calculation of amortisation:

- 5 – 10 years

*Capital commitments*

- As at 31st March 2015, the OPCC had not entered into any significant capital contracts for the delivery of intangible assets to be received in 2015/2016.

**14. Property, plant and equipment (Group & OPCC)**

The Leicestershire County Council Estates Department has been retained on behalf of the OPCC/Group to provide valuation services. A full revaluation of all land and buildings was completed as at 31<sup>st</sup> March 2014, this has been reviewed and updated where applicable as at the 31<sup>st</sup> March 2015. The impact of any movement is contained within the figures below. The land & buildings net carrying amount below includes £120k in respect of the land at Spinney Hill. The land is held under a finance lease.

Following a review to identify components within the OPCC/Group's non-current assets, it was found that the headquarters communications building has two components - heating/ventilation and electrical installation – which have been separated out from the main structure on the OPCC/Group's asset registers. The two components are considered to have an identical useful life; hence they are combined together for depreciation purposes. The heating/ventilation & electrical installation component is carried in the balance sheet at a net book value of £517k (31 March 2014 - £549k) – the remainder of the building structure being held at a net book value of £1.30m (31 March 2014 - £1.20m).

Further details on assets under construction can be seen in Note 17.

	land and buildings	vehicles	equipment	total PPE	assets under construction
2014/15	£000	£000	£000	£000	£000
<b>Cost or valuation</b>	50,262	7,706	17,765	75,733	3,263
At 1 April 2014					
Additions	1,455	1,103	1,146	3,704	3,101
Revaluations / impairments recognised in the Revaluation Reserve	2,597	-	-	2,597	-
Revaluations / impairments recognised in the surplus/deficit on the provision of services	(2,999)	-	-	(2,999)	-
Disposals	-	(735)	(1,667)	(2,402)	-
Transfers	3,827	-	667	4,494	(4,506)
<b>At 31 March 2015</b>	<b>55,142</b>	<b>8,074</b>	<b>17,911</b>	<b>81,127</b>	<b>1,858</b>
<b>Accumulated depreciation and impairment</b>	<b>(1,504)</b>	<b>(4,503)</b>	<b>(14,116)</b>	<b>(20,123)</b>	<b>-</b>
At 1 April 2014					
Depreciation charge	(764)	(996)	(1,553)	(3,313)	-
Disposals	-	651	1,667	2,318	-
Adjustment due to revaluations – Depreciation written out to the Reval Reserve	305	-	-	305	-
Adjustment due to revaluations – Depreciation written out to the CI&E	235	-	-	235	-
Adjustment in respect of transfers	-	-	-	-	-
<b>At 31 March 2015</b>	<b>(1,728)</b>	<b>(4,848)</b>	<b>(14,002)</b>	<b>(20,578)</b>	<b>-</b>
<b>Net book value</b>					
at 31 March 2015	53,414	3,226	3,909	60,549	1,858
at 31 March 2014	48,758	3,203	3,649	55,610	3,263

## Notes to the core financial statements

	land and buildings	vehicles	equipment	helicopter (1/3rd share)	total PPE	assets under construction
2013/14	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 April 2013	52,228	7,607	16,873	1,459	78,167	390
Additions	2,815	1,211	1,419	-	5,445	3,452
Revaluations / impairments	(3,542)	-	-	-	(3,542)	-
Disposals	-	(1,112)	(957)	(1,459)	(3,528)	(13)
Transfers	(1,239)	-	430	-	(809)	(566)
<b>At 31 March 2014</b>	<b>50,262</b>	<b>7,706</b>	<b>17,765</b>	<b>-</b>	<b>75,733</b>	<b>3,263</b>
<b>Accumulated depreciation and impairment</b>						
At 1 April 2013	(1,976)	(4,462)	(13,361)	(876)	(20,675)	-
Depreciation charge	(674)	(992)	(1,486)	-	(3,152)	-
Disposals	-	951	731	876	2,558	-
Adjustment due to revaluations	1,146	-	-	-	1,146	-
Adjustment in respect of transfers	-	-	-	-	-	-
<b>At 31 March 2014</b>	<b>(1,504)</b>	<b>(4,503)</b>	<b>(14,116)</b>	<b>-</b>	<b>(20,123)</b>	<b>-</b>
<b>Net book value</b>						
at 31 March 2014	48,758	3,203	3,649	-	55,610	3,263
at 31 March 2013	50,252	3,145	3,512	583	57,492	390

### *Transfers*

This heading represents both the transfer of *assets under construction* into the relevant asset heading when they come into use or the transfer of property assets to *assets held for sale* on the balance sheet. Both types of transfer occur regularly as the organisational capital programme delivers outputs and as the estate continues to be rationalised.

### *Depreciation*

The following useful lives have been used in the calculation of depreciation:

- Buildings – 7 – 93 years
- Land – not depreciated
- Vehicles – 5 years
- Equipment – 5 – 25 years
- Assets under construction – not depreciated

### *Capital commitments*

As at 31st March 2015, the OPCC had entered into a number of contracts for the construction or enhancement of property, plant and equipment to be completed in 2015/2016 and future years. The amounts are;

- Estates - a total of £2.9m - No individual capital project is more than £1m
- IT – a total of £5.5m - £1.25m for Mobile Data/PC Replacement Refresh

### *Effects of Changes in Estimates*

There have been no changes in estimates.

### *Revaluations*

The figures shown in the tables above include both upward and downward revaluations of tangible non-current assets. These movements are captured in either the revaluation reserve (balance sheet) or the *other comprehensive income and expenditure* section of the comprehensive income and expenditure statement. Refer to accounting policy A10 (note 47) for further information.



**15. Capital expenditure and capital financing (Group & OPCC)**

In accordance with the Code, capital expenditure is financed on an accruals basis.

2013/14 £000		2014/15 £000
17,630	<b>Opening capital financing requirement</b>	20,402
	<i>Capital investment</i>	
5,960	Operational assets	4,270
3,452	Non-operational assets	3,100
	<i>Sources of finance</i>	
(1,014)	Capital receipts	(629)
(1,976)	Government grants & other contributions	(2,063)
(2,371)	Revenue contribution	(1,014)
(1,279)	Revenue provision (incl. MRP)	(1,272)
20,402	<b>Closing capital financing requirement</b>	22,794
	<b>Explanations of movements in year</b>	
2,772	Increase/ (decrease) in underlying need to borrow (supported by government financial assistance)	2,392
-	Increase in underlying need to borrow (unsupported by government financial assistance)	-
2,772	<b>Increase/(decrease) in capital financing requirement</b>	2,392

The figure shown above for capital expenditure during 2014/15 differs from the amounts shown as additions on (a) the intangible and (b) property, plant and equipment notes (notes 13 and 14 respectively). The figure can be reconciled as follows:

2013/14 £000		2014/15 £000
9,412	Capital expenditure for the year (as above)	7,370
(346)	<b>Less:</b> Revenue expenditure financed from capital resources under statute (REFCUS) in the year	(94)
9,066		7,276

Capital receipts of £583k have been received in the year and have been fully applied to finance capital investment in the year. The balance on the capital receipts reserve is zero.

**16. Assets held for sale (Group & OPCC)**

During the course of 2010/11, the OPCC/Group earmarked a number of properties for disposal as part of the *Strategic Estates Review*. This review made recommendations concerning the current and future property need and sought to align the OPCC/Group's estate with its policing commitments.

At 31<sup>st</sup> March 2014 Oakham, Lutterworth, Market Bosworth and New Parks were assets held for sale. Market Bosworth was successfully sold in August 2014 and Lutterworth was sold in February 2015.

The Syston property transferred into assets held for sale as at 31<sup>st</sup> March 2015. A sale has been agreed but is not yet finalised.

As at 31<sup>st</sup> March 2014 the property at New parks was classified as an asset held for sale however this has been re-classified back into Property, Plant & Equipment as a decision has been made not to proceed with the sale of New Parks and it has therefore been transferred back to operational assets.

2013/14 £000		2014/15 £000
389	<b>Balance at the start of the year</b>	982
	<b>Assets classified as held for sale:</b>	
1,238	Property, plant & equipment	180
-	Intangible assets	-
-	Other assets/liabilities in disposal groups	-
(42)	Revaluation losses	-
-	Revaluation gains	-
-	Impairment losses	-
	<b>Assets declassified as held for sale:</b>	
-	Property, plant & equipment	(272)
-	Intangible assets	-
-	Other assets/liabilities in disposal groups	-
(603)	Assets sold	(137)
<b>982</b>	<b>Balance at the end of the year</b>	<b>753</b>

**17. Assets under construction (Group & OPCC)**

Assets under construction can be analysed as follows at the balance sheet date:

31 <sup>st</sup> March 2014 £000		31 <sup>st</sup> March 2015 £000
197	Intangible assets	1,164
2,627	Property	531
439	IT equipment	163
-	Operational equipment	-
<b>3,263</b>		<b>1,858</b>

18. Debtors (Group & OPCC)

31 <sup>st</sup> March 2014 £000	Group	31 <sup>st</sup> March 2015 £000
	<b>Long-term debtors</b>	
59	Car loans to employees	70
328	Sundry debtors	441
<b>387</b>		<b>511</b>
	<b>Short-term debtors</b>	
9,417	Central government bodies	15,054
6,676	Local authorities	6,271
1,561	Sundry debtors	1,703
38	Car loans to employees	45
(18)	Less: impairment allowance	(2)
<b>17,674</b>		<b>23,071</b>

At the balance sheet date, 14 car loans to employees were outstanding (2013/14 – 15). The loans are made to employees who are in posts who are designated as “essential car users”, the interest rate applicable to each loan is fixed to the Bank of England base rate and is not variable during the life of the loan.

Long term sundry debtors includes IT spend for future years’ maintenance and software licences.

Central government bodies (above) includes the following top up grants from the Home Office:

- £5,296k (as at 31<sup>st</sup> March 2014 - £6,146k) receivable from the Home Office in respect of the pensions fund top up grant for 14/15
- An additional £5,505k to compensate eligible retired police officers for revised lump sum pension payments and interest, following a recent decision by the Pensions Ombudsman.

Included within the Local authorities figures above are debtors in respect of the OPCC/Group’s share of council tax collection fund debtors of £2,453k (as at 31<sup>st</sup> March 2014 - £2,194k).

31 <sup>st</sup> March 2014 £000	OPCC	31 <sup>st</sup> March 2015 £000
	<b>Long-term debtors</b>	
-	Car loans to employees	-
328	Sundry debtors	441
<b>328</b>		<b>441</b>
	<b>Short-term debtors</b>	
3,230	Central government bodies	9,723
6,671	Local authorities	6,263
1,320	Sundry debtors	1,459
-	Car loans to employees	-
(18)	Less: impairment allowance	(2)
<b>11,203</b>		<b>17,443</b>

**19. Cash & cash equivalents (Group & OPCC)**

This heading on the Balance Sheet is made up of the following elements:

31 <sup>st</sup> March 2014 £000		31 <sup>st</sup> March 2015 £000
5,902	Bank accounts & petty cash	7,327
12,503	Cash investments (less than three months maturity)	11,003
(2,509)	Adjustment for cash & cash equivalents held on behalf of joint arrangements	(2,923)
<b>15,896</b>	<b>Total cash &amp; cash equivalents</b>	<b>15,407</b>

The cash investments figure above is those deposits made by the OPCC/Group which mature within three months and are outstanding at the balance sheet date.

**20. Deferred liabilities (Group & OPCC)**

31 <sup>st</sup> March 2014 £000		31 <sup>st</sup> March 2015 £000
(2,234)	Leicestershire County Council	(1,795)

The deferred liability represents sums borrowed from Leicestershire County Council before April 1995 to finance police capital spending. This sum is repayable to LCC in annual instalments over 25 years from April 1995.

**21. Creditors (Group & OPCC)**

31 <sup>st</sup> March 2014 £000	Group	31 <sup>st</sup> March 2015 £000
	<b>Short-term creditors</b>	
(3,353)	Central government bodies	(3,849)
(3,133)	Local authorities	(2,659)
(64)	Capital creditors	(1,071)
(1,175)	Salary & overtime payments	(1,028)
(2,787)	Sundry creditors	(8,822)
<b>(10,512)</b>		<b>(17,429)</b>

Included within the local authorities figures above are creditors in respect of the OPCC/Group's share of council tax collection fund creditors of £1,245k (as at 31<sup>st</sup> March 2014 - £1,330k)

Sundry Creditors include £5,505k due to the Pension Holding Account by the Local Policing Body to cover additional retirement lump sum payments due to police officers.

31 <sup>st</sup> March 2014 £000	<b>OPCC</b>	31 <sup>st</sup> March 2015 £000
	<b>Short-term creditors</b>	
(186)	Central government bodies	(855)
(3,133)	Local authorities	(2,613)
(64)	Capital creditors	(1,071)
(119)	Salary & overtime payments	(64)
(2,792)	Sundry creditors	(8,822)
<b>(6,294)</b>		<b>(13,425)</b>

### 22. Long term borrowing (Group & OPCC)

Long term borrowing is with the Public Works Loan Board (PWLB)

31 <sup>st</sup> March 2014 £000	<b>Maturity</b>	31 <sup>st</sup> March 2015 £000
-	not more than 2 years	-
-	more than 2 years - not more than 5 years	-
(2,830)	more than 5 years - not more than 10 years	(2,830)
(6,527)	more than 10 years - not more than 15 years	(8,069)
(3,042)	More than 15 years	(1,500)
<b>(12,399)</b>		<b>(12,399)</b>

A significant proportion of the OPCC/Group's long-term borrowing - 77.18% matures more than 10 years after the balance sheet date. The maximum amount repayable in any one year is **£3.46m**.

### 23. Financial instruments (Group & OPCC)

A financial instrument is any contract that results in a financial asset on the balance sheet of one entity (for example the OPCC) and a financial liability or equity instrument on the balance sheet of another entity. The term "financial instrument" covers both financial assets and financial liabilities ranging from the most straightforward (i.e. cash investments, debtors and creditors) to the most complex (i.e. derivatives and embedded derivatives).

Financial assets have a carrying amount which is assumed to approximate the fair value due to the fact they are due to mature within 12 months of the balance sheet date (in the case of short-term assets). The Long-term debtors are also assumed to have a fair value equal to their carrying value. In the case of debtors and creditors, the fair value is taken to be the invoiced amount.

The PWLB borrowing has a fair value that is higher than the carrying amount. This is because borrowing with the PWLB is on the basis of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The fair value of PWLB borrowing has been calculated by reference to the "premature repayment" set of rates as at 31<sup>st</sup> March 2015.

With the exception of PWLB - long term borrowing the carrying amounts and fair values of all other financial assets and liabilities are the same and are disclosed in the balance sheet and relevant notes to the accounts.

## Notes to the core financial statements

The fair value of the financial liability relating to PWLB - long term borrowing, which is carried in the balance sheet at the amortised cost is as follows:

31 <sup>st</sup> March 2014		Group / OPCC	31 <sup>st</sup> March 2015	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
		<b>Financial liabilities</b>		
(12,399)	(15,292)	PWLB - long term borrowing	(12,399)	(16,918)

### 24. Provisions (Group & OPCC)

	Balance at 1 April 2014 £000	additional provisions made £000	amounts used £000	unused amounts reversed £000	Balance at 31 March 2015 £000
Civil claims	(398)	(299)	100	283	(314)
<b>Total</b>	<b>(398)</b>	<b>(299)</b>	<b>100</b>	<b>283</b>	<b>(314)</b>

The civil claims provision reflects the self insured part of public and employer's liability claims where the OPCC/Group's claims handlers have advised there is a high probability of economic benefits being transferred in the future. In addition to this specific provision, the OPCC/Group holds a civil claims reserve which holds discretionary amounts intended to smooth the impact of any claims that emerge which were not foreseen or considered likely.

### 25. Usable reserves (Group & OPCC)

The following reserves constitute *usable reserves* as shown on the OPCC/Group's balance sheet. The balances on these reserves at the balance sheet date are set out below. Please refer to the relevant note as referenced below for a detailed analysis of any movements in these reserves.

31 <sup>st</sup> March 2014 £000		Note	31 <sup>st</sup> March 2015 £000
21,597	Earmarked reserves	27	22,729
3	Capital grants and contributions unapplied	31	211
6,000	General fund	28	6,000
<b>27,600</b>	<b>Total usable reserves</b>		<b>28,940</b>

**26. Unusable reserves (Group & OPCC)**

The following reserves constitute *unusable reserves* as shown on the OPCC/Group's balance sheet. The balances on these reserves at the balance sheet date are set out below. Please refer to the relevant note as referenced below for a detailed analysis of any movements in these reserves.

31 <sup>st</sup> March 2014 Restated £000	Group	Note	31 <sup>st</sup> March 2015 £000
40,137	Capital adjustment account	33	39,178
709	Revaluation reserve	32	2,633
48	Deferred Capital Receipts Reserve		-
864	Collection fund adjustment account	34	1,207
(1,612,123)	Pension reserve	29	(1,849,529)
(3,106)	Accumulated absences account	35	(3,250)
<b>(1,573,471)</b>	<b>Total unusable reserves</b>		<b>(1,809,761)</b>

31 <sup>st</sup> March 2014 £000	OPCC	Note	31 <sup>st</sup> March 2015 £000
40,137	Capital adjustment account	33	39,178
709	Revaluation reserve	32	2,633
48	Deferred Capital Receipts Reserve		-
864	Collection fund adjustment account	34	1,207
(439)	Pension reserve	29	(730)
(13)	Accumulated absences account	35	(30)
<b>41,306</b>	<b>Total unusable reserves</b>		<b>42,258</b>

The Group's unusable reserves are in deficit due in the main to the pension reserve. The pension reserve reflects the deficit on the Group's defined benefit pension schemes and in particular the police schemes which are not funded by assets but are instead supported by central funding from the Home Office.

**27. Transfers to/(from) earmarked reserves (Group & OPCC)**

These reserves are earmarked for the specific purposes noted below:

Reserve name	Balance at 1 April 2013 £000	transfers out 2013/14 £000	transfers in 2013/14 £000	Balance at 31 March 2014 £000	transfers out 2014/15 £000	transfers in 2014/15 £000	Balance at 31 March 2015 £000
Capital expenditure	760	(725)	339	374	(288)	297	383
Budget equalisation	11,528	(1,644)	1,929	11,813	(110)	448	12,151
PCSOs	2,942	(264)	-	2,678	(434)	-	2,244
Proceeds of Crime Act	803	(37)	104	870	(237)	29	662
Carry-forwards (specific)	1,452	(1,452)	2,186	2,186	(1,841)	2,218	2,563
Civil claims	457	-	-	457	-	235	692
Juniper Lodge	219	(1)	13	231	-	203	434
Fleet insurance	100	(110)	194	184	(244)	160	100
DBS	59	-	5	64	-	7	71
Commissioning	-	(178)	1,000	822	-	521	1,343
Other	23	(5)	8	26	(10)	-	16
Public order	1,134	(1,134)	-	-	-	-	-
Pensions (general)	751	(751)	-	-	-	-	-
Job evaluation	150	(150)	-	-	-	-	-
Equipment replacement	122	(122)	-	-	-	-	-
Drug testing on charge (Counties BCU)	60	(60)	-	-	-	-	-
PA development programme	50	(50)	-	-	-	-	-
PCC transition	158	(158)	-	-	-	-	-
IT infrastructure	35	(35)	-	-	-	-	-
PA tribunals	20	(20)	-	-	-	-	-
IOM Underspend	-	-	-	-	-	138	138
<b>Subtotal : OPCC/Group (direct control)</b>	<b>20,823</b>	<b>(6,896)</b>	<b>5,778</b>	<b>19,705</b>	<b>(3,164)</b>	<b>4,256</b>	<b>20,797</b>
Jointly Controlled Operations	406	(177)	372	601	(131)	390	860
<b>Subtotal : OPCC/Group (incl. jointly controlled reserves)</b>	<b>21,229</b>	<b>(7,073)</b>	<b>6,150</b>	<b>20,306</b>	<b>(3,295)</b>	<b>4,646</b>	<b>21,657</b>
<b>Funds held on behalf of partners</b>							
Operation Liberal	321	(208)	-	113	-	22	135
Regional collaboration	1,375	(411)	-	964	(156)	-	808
Regional Asset Recovery Team	-	-	214	214	(85)	-	129
<b>Grand total : OPCC/Group (incl. reserves held on behalf of partners)</b>	<b>22,925</b>	<b>(7,692)</b>	<b>6,364</b>	<b>21,597</b>	<b>(3,536)</b>	<b>4,668</b>	<b>22,729</b>
movement in the year			(1,328)			(1,132)	



A review of the Earmarked Revenue reserves was undertaken during 2013/14 by the Chief Finance Officer. The review was to ensure that reserves are either justified and maintained at the correct level or, if not required, are consolidated in a way that enables the funds to be released for other purposes. It was identified that 9 reserves were no longer required in their current form. The sums from each reserve were transferred to either the Budget Equalisation Reserve or the General Fund. The reserves that were no longer required are shown below:

- Public Order
- Pensions
- Job Evaluation
- Equipment Replacement
- Drug Testing On Charge (Counties)
- PA Development Fund
- PCC Transition
- IT Infrastructure
- PA Tribunals

### **Capital expenditure**

This represents funds set aside from revenue to fund future capital expenditure.

### **Budget equalisation**

This represents revenue funds set aside to part fund the future revenue budget requirements of the OPCC/Group. The reserve is also used prudently to support the ongoing change programme and investments in the future structure of the OPCC/Group.

### **Police Community Support Officers (PCSOs)**

This finances the cost of the additional 28 PCSOs supported by the Police and Crime Commissioner in the 2014/15 Budget.

### **Proceeds of Crime Act**

These are the funds awarded to the OPCC/Group by the courts under the Proceeds of Crime Act. These funds are used to further the force's capability in financial and other investigative areas.

### **Carry-forwards (specific)**

This reserve includes those sums that the OPCC/Group has approved to carry forward to finance specific expenditure in 2015/16.

### **Civil claims**

This reserve holds revenue funds that have been set aside where considered prudent by the OPCC/Group against Civil Claims (Public & Employer Liability) that independent advice suggests is unlikely to result in the transfer of economic benefits (i.e. to meet the criteria of a "provision"). The OPCC/Group sets aside these funds to minimise any unforeseen adverse impact on its Comprehensive Income & Expenditure Statement.

### **Juniper Lodge (SARC)**

Unspent funds received from the OPCC/Group's partners in respect of the Juniper Lodge facility. The funds have been set aside in an earmarked reserve to support future projects.

### **Fleet insurance**

The excess on the vehicle insurance policy is **£7.5k**. The reserve is to meet the cost of claims that fall below this value.

### **DBS (Disclosure Barring Service previously Criminal Records Bureau)**

Surplus funds received from the DBS to be used for the purchase of fixtures, fittings and equipment in support of the OPCC/Group's work on behalf of the DBS.

### **Commissioning**

This represents resources set aside to support the Police & Crime Commissioner's activities in support of the Police & Crime Plan.

### **Intergrated Offender Management (IOM)**

Unspent funds received from the OPCC/Group's partners in respect of the IOM service. The funds have been set aside in an earmarked reserve to support future projects.

### **Joint & Controlled Reserves**

This represents the OPCC/Group's share of reserves held by the following:

- EMSOU (East Midlands Special Operations Unit)
- EMSOU MC (East Midlands Special Operations Unit Major Crime)
- EMTSU (East Midlands Tactical Support Unit)
- Regional Learning & Development
- Regional Forensic Shared Services
- East Midlands Legal Services Unit

### **Held on Behalf of Partners**

#### **Operation Liberal**

Held to support a national project (co-ordinated by the OPCC/Group) intended to reduce distraction burglary.

#### **Regional collaboration**

This represents funds set aside to support the establishment of regional collaborative projects.

#### **Regional Asset Recovery Team**

This reserve is held on behalf of the Regional Asset Recovery Team (RART) National Co-ordination Programme to develop and enhance the continued delivery of the Financial Investigation and Proceeds of Crime Portfolio over the next two years

**28. General fund (Group & OPCC)**

The general fund represents the OPCC/Group's uncommitted reserves available to meet the very large demands that are occasionally made on the police service.

2013/14 £000		2014/15 £000
5,253	At 1 <sup>st</sup> April	6,000
747	Movement in the year	-
6,000	At 31 <sup>st</sup> March	6,000

**29. Pensions reserve (Group & OPCC)**

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 OPCC/Group accounts for post employment benefits in the Comprehensive Income & Expenditure Statement 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 OPCC/Group makes employer's contributions to the pension funds.

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 OPCC/Group has set aside to meet them. The pension contributions payable by both employer and employee are adjusted regularly via actuarial valuations – the aim being to reduce the shortfall over the longer term.

2013/14 Restated £000	Group	Note	2014/15 £000
(1,582,943)	Balance at 1 <sup>st</sup> April		(1,612,123)
37,060	Total remeasurements on pensions assets and liabilities (gains/losses)	30	(175,063)
(113,063)	Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the provision of services in the Comprehensive Income & Expenditure Statement		(109,893)
27,566	Employer's pensions contributions and direct payments to pensioners payable in the year	30	26,637
19,257	Pension fund grant from the Home Office in respect of the police pension schemes		20,913
(1,612,123)	Balance at 31 <sup>st</sup> March		(1,849,529)

2013/14 £000	OPCC	Note	2014/15 £000
(241)	Balance at 1 <sup>st</sup> April		(439)
(157)	Total remeasurements on pensions assets and liabilities (gains/losses)	30	(248)
(88)	Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the provision of services in the Comprehensive Income & Expenditure Statement	30	(102)
47	Employer's pensions contributions and direct payments to pensioners payable in the year	30	59
-	Pension fund grant from the Home Office in respect of the police pension schemes		-
(439)	Balance at 31 <sup>st</sup> March		(730)

Note 30 – Defined benefit pension schemes provides further analysis of the figures shown above together with an explanation for their existence.

### 30. Defined benefit pension schemes (Group & OPCC)

*This note reports the main pension fund of the Group. However, the OPCC is only responsible for a small share of the Local Government Pension Scheme (LGPS).*

*Where appropriate, separate numbers for the OPCC share of the LGPS have been identified.*

#### *Participation in pension schemes*

As part of the terms and conditions of employment of its officers and other employees, the OPCC/Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the OPCC/Group has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

The OPCC/Group participates in the following pension schemes:

**The Local Government Pension Scheme (LGPS)** for police staff is administered by Leicestershire County Council – this is a funded defined benefit scheme, meaning that the OPCC/Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Due to changes under the Public Pension Services Act 2013, from the 1<sup>st</sup> April 2014 scheme members now accrue pension entitlements based on their career-average rather than their final salary.

**The Police Pension Scheme** for police officers is an unfunded single employer defined benefit scheme. This means that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they fall due. Two schemes were in operation during 2014/15 as well as injury awards:

- the 1987 scheme which is based on a maximum pensionable service of 30 years (closed to new entrants on 31<sup>st</sup> March 2006), and the 2006 scheme which was available to new entrants from 1st April 2006 onwards and is based on a maximum pensionable service of 35 years

Both of the 1987 and 2006 schemes provide pensions based on officers' final salaries. From 6 April 2015 a new Police Officer pension scheme came into existence (the Police Pension Scheme 2015) which will provide pensions based on career average salaries. All new officers and existing officers not covered by the protection arrangements will now be members of the 2015 scheme.

Employer contributions were paid at 24.2% during 2014/15 on both the 1987 and 2006 schemes.

Under the Police Pension Fund Regulations 2007, if the amount required to balance the pensions fund for the year is less than the amounts receivable (i.e. contributions from employees and employers), the OPCC/Group must annually transfer an amount required to meet the deficit to the pensions fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pensions fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the OPCC/Group which then must repay the amount to central government.

Following a complaint from a retired firefighter, the Pensions Ombudsman found the Government Actuarial Office guilty of maladministration in failing to review commutation factors from 1998 to 2006 applicable to lump sum payments. The full determination is available at <http://www.pensions-ombudsman.org.uk>. The consequences of the case are that a number of police officers who retired between 1998 and 2006 may not have received the amount of commuted lump sum they were entitled to under the scheme.

The judgement was issued in May 2015 and has therefore been treated as an adjusting post balance sheet event due to the estimated value of the liability.

Our pension scheme administrators have identified the police officers who retired between 1<sup>st</sup> December 2001 and 30<sup>th</sup> November 2006 and initial estimates are that the additional lump sum payments due will be £ 4,508k and interest of £997k.

The additional liability due has been recognised as an actuarial loss under IAS19 by restating the opening Pension Liability and Reserve as at the 1<sup>st</sup> April 2013.

As a consequence the following Prior Year figures have been restated by £5,505k:

Group Balance Sheet (page 9) – Pension Scheme Liability and Reserve as at 31<sup>st</sup> March 2014

Group Statement of Movement in Reserves (pages 11 & 12) – Balance as at 31<sup>st</sup> March 2013 and 2014

Note 26 Unusable Reserves (page 49) – Pension Reserve as at 31<sup>st</sup> March 2014

Note 29 Pensions Reserve (page 53) – Opening Balance as at the 1<sup>st</sup> April 2013 and closing balance as at 31<sup>st</sup> March 2014

Note 30 Defined Benefit Schemes (page 59) – Net liability arising from defined benefit obligation – Opening Balance as at the 1<sup>st</sup> April 2013 and Closing Balance as at the 31<sup>st</sup> March 2014.

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

The OPCC/Group recognises the cost of retirement benefits in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the OPCC/Group is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in Reserves. The transactions within the Comprehensive Income & Expenditure Statement and Statement of Movement in Reserves (for both the OPCC and the Group) are as follows:

## Notes to the core financial statements

	Local Government Pension Scheme				Police Pension Schemes (Group Only)		Comprehensive Income & Expenditure Account	
	2013/14	2013/14	2014/15	2014/15	2013/14	2014/15	2013/14	2014/15
	Group	OPCC (CIES)	Group	OPCC (CIES)	Group	Group	Group	Group
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost of services:</b>								
Current service cost	7,779	68	7,912	79	36,647	31,638	44,426	39,550
Past service cost	30	-	46	-	-	-	30	46
(Gain) / loss from settlements	-	-	(850)	(8)	-	-	-	(850)
	7,809	68	7,108	71	36,647	31,638	44,456	38,746
<b>Financing &amp; investment income/expenditure:</b>								
Net Interest cost	2,319	20	3,076	31	66,288	68,071	68,607	71,147
<b>Net charge to surplus / deficit on provision of services</b>	<b>10,128</b>	<b>88</b>	<b>10,184</b>	<b>102</b>	<b>102,935</b>	<b>99,709</b>	<b>113,063</b>	<b>109,893</b>
<b>Other comprehensive income &amp; expenditure:</b>								
Return on Plan Assets (excluding the amount included in the net interest expense)	(1,862)	(16)	(14,458)	(144)	-	-	(1,862)	(14,458)
Actuarial (gains)/losses on changes in demographic assumptions	4,609	40	-	-	21,127	-	25,736	-
Actuarial gains and losses arising on changes in financial assumptions	4,300	37	40,484	404	(76,382)	273,346	(72,082)	313,830
Home Office grant	-	-	-	-	(19,257)	(20,913)	(19,257)	(20,913)
Other (if applicable)	11,148	96	(1,125)	(12)	-	(123,184)	11,148	(124,309)
<b>Net charge to total comprehensive income &amp; expenditure</b>	<b>28,323</b>	<b>245</b>	<b>35,085</b>	<b>350</b>	<b>28,423</b>	<b>228,958</b>	<b>56,746</b>	<b>264,043</b>
<b>Statement of Movement in Reserves:</b>								
Reversal of items not permitted to be charged to the general fund by statute	(28,323)	(245)	(35,085)	(350)	(28,423)	(228,958)	(56,746)	(264,043)
Employer Contributions	5,402	47	5,961	59	22,164	20,676	27,566	26,637
<b>Net charge to general fund</b>	<b>5,402</b>	<b>47</b>	<b>5,961</b>	<b>59</b>	<b>22,164</b>	<b>20,676</b>	<b>27,566</b>	<b>26,637</b>
Retirement benefits payable to pensioners	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Analysed as:</b>								
Employers' contributions payable to schemes	5,402	47	5,961	59	19,899	18,449	25,301	24,410
Direct payments - Injury awards payable	-	-	-	-	2,265	2,227	2,265	2,227
<b>Total</b>	<b>5,402</b>	<b>47</b>	<b>5,961</b>	<b>59</b>	<b>22,164</b>	<b>20,676</b>	<b>27,566</b>	<b>26,637</b>

## Notes to the core financial statements

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme				Police Pension Schemes (Group Only)		Balance Sheet	
	2013/14 Group	2013/14 OPCC (B/Sheet)	2014/15 Group	2014/15 OPCC (B/Sheet)	2013/14 Restated Group	2014/15 Group	2013/14 Restated Group	2014/15 Group
	£000	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(195,850)	(1,069)	(247,666)	(1,585)	(1,538,834)	(1,747,116)	(1,734,684)	(1,994,782)
Fair value of plan assets	122,561	630	145,253	855	-	-	122,561	145,253
<b>Sub total</b>	<b>(73,289)</b>	<b>(439)</b>	<b>(102,413)</b>	<b>(730)</b>	<b>(1,538,834)</b>	<b>(1,747,116)</b>	<b>(1,612,123)</b>	<b>(1,849,529)</b>
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(73,289)</b>	<b>(439)</b>	<b>(102,413)</b>	<b>(730)</b>	<b>(1,538,834)</b>	<b>(1,747,116)</b>	<b>(1,612,123)</b>	<b>(1,849,529)</b>

## Notes to the core financial statements

### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme				Police Pension Schemes (Group Only)	
	2013/14 Group	2013/14 OPCC	2014/15 Group	2014/15 OPCC	2013/14	2014/15
	£000	£000	£000	£000	£000	£000
Opening fair value of scheme assets	111,158	531	122,561	630	-	-
Interest Income	5,097	44	5,354	53	-	-
<b>Remeasurement gain/(loss)</b>						
The return on plan assets; excluding the amount included in the net interest expense	1,862	16	14,458	144	-	-
Other (if applicable)	-	-	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-	-	-
Contributions from employer	5,402	47	5,961	59	22,164	20,676
Employer Contributions (Top Up Grant)	-	-	-	-	19,257	20,913
Contributions from employees into the scheme	2,190	19	2,295	22	9,542	9,671
Benefits paid	(3,148)	(27)	(3,744)	(37)	(50,963)	(51,260)
Other (if applicable)	-	-	(1,632)	(16)	-	-
<b>Closing fair value of scheme assets</b>	<b>122,561</b>	<b>630</b>	<b>145,253</b>	<b>855</b>	<b>-</b>	<b>-</b>



## Notes to the core financial statements

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme				Police Pension Schemes (Group Only)	
	2013/14 Group	2013/14 OPCC	2014/15 Group	2014/15 OPCC	2013/14 Restated	2014/15
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(161,526)	(772)	(195,850)	(1,069)	(1,532,575)	(1,538,834)
Current Service Cost	(7,779)	(67)	(7,912)	(79)	(36,647)	(31,638)
Interest Cost	(7,416)	(64)	(8,430)	(84)	(66,288)	(68,071)
Contributions from scheme participants	(2,190)	(20)	(2,295)	(22)	(9,542)	(9,671)
<b>Remeasurement (gains) and losses</b>						
Actuarial gains/losses arising from changes in demographic assumptions	(4,609)	(40)	-	-	(21,127)	-
Actuarial gains/losses arising from changes in financial assumptions	(4,300)	(37)	(40,484)	(404)	76,382	(273,346)
Other (if applicable)	(11,148)	(96)	1,125	12	-	123,184
Past service cost (including curtailments)	(30)	-	(46)	-	-	-
Losses/(gains) on curtailment (where relevant)	-	-	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-	-	-
Benefits paid	3,148	27	3,744	37	50,963	51,260
Liabilities extinguished on settlements (where relevant)	-	-	2,482	24	-	-
<b>Closing balance at 31 March</b>	<b>(195,850)</b>	<b>(1,069)</b>	<b>(247,666)</b>	<b>(1,585)</b>	<b>(1,538,834)</b>	<b>(1,747,116)</b>

The police pension schemes are unfunded in nature and hence have no scheme assets.

The actual return on scheme assets in the year for the LGPS was £14.5m (2013/14 £1.9m).

The liabilities show the underlying commitments that the OPCC/Group has in the long run to pay retirement benefits. The total liability of £1,850m has a substantial impact on the net worth of the OPCC/Group as recorded in the balance sheet, resulting in a negative overall balance of £1,781m. However, the statutory arrangements for funding the deficit mean that the financial position of the OPCC/Group remains stable.

The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. With effect from 1<sup>st</sup> April 2014 the employer's contribution rate increased to 16.7% (15.7% for 2013/14) and is due to rise to 17.7% in 2015/16. The next valuation on the LGPS (for employer contribution purposes) will be as at 31/3/16 and will take place during 2016/17. It is expected that any change to the employer contribution rate will take effect from 1<sup>st</sup> April 2017.

The deficit on the LGPS scheme has increased by £52m between March 2014 and March 2015.

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2014/15 has resulted in a reduction in the employers contribution rate from 24.2% to 21.3% from April 2015. However, the Group will need to continue to make a total contribution equivalent to 24.2% of pensionable pay as the reduction in the rate of of 2.9% will be retained by government by reducing the 'Top-Up' grant payable.

## Notes to the core financial statements

In addition, the introduction of the new Police Pension scheme from April 2015 means that benefits accrued from this date will be based on a retirement age of 60, which is later than previously, and career average salaries.

The Pension Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value as required by IAS 19 (and FRS 17 before it). The police schemes and the Local Government Pension Scheme liabilities have been valued by Mercer and Hymans Robertson respectively. Both are independent firms of actuaries. A full valuation has been undertaken on the Police Scheme liabilities as at the 31<sup>st</sup> March 2015.

### Basis for Estimating Assets and Liabilities

	Local Gov't Scheme		Police Schemes	
	2013/14	2014/15	2013/14	2014/15
	Years	Years	Years	Years
<b>Long term expected rate of return on assets in the scheme</b>				
<b>Equity investments</b>	n/a	n/a	-	-
<b>Bonds</b>	n/a	n/a	-	-
<b>Other</b>	n/a	n/a	-	-
<b>Mortality assumptions:</b>				
<b>Longevity at 65 (60 for police schemes) for current pensioners:</b>				
- Men	22.2	22.2	27.0	28.1
- Women	24.3	24.3	30.0	30.6
<b>Longevity at 65 (60 for police schemes) for future pensioners:</b>				
- Men	24.2	24.2	29.5	30.6
- Women	26.6	26.6	32.1	33.1

### Impact on the Defined Benefit Obligation in the Scheme (provided by the Actuary)

	Local Gov't Scheme		Police Schemes	
	2013/14	2014/15	2013/14	2014/15
<ul style="list-style-type: none"> <li>• rate of inflation (increase or decrease by 1%)</li> <li>• rate of increase in salaries (increase or decrease by 1%)</li> <li>• rate of increase in pensions (increase or decrease by 1%)</li> <li>• rate for discounting scheme liabilities (increase or decrease by 1%)</li> </ul>	3.6%	3.2%	2.4%	2.0%
	4.6%	4.3%	3.9%	3.5%
	2.8%	2.4%	2.4%	2.0%
	4.3%	3.2%	4.5%	3.2%

## Notes to the core financial statements

Assets in the pension fund administered by the county council are valued at fair value, principally market value for investments, and consist of:

Local Government Pension Scheme assets comprised

2013/14 Group	2013/14 OPCC	Fair Value of Scheme Assets	2014/15 Group	2014/15 OPCC
£000	£000		£000	£000
2,781	14	<b>Cash and cash equivalents</b>	1,456	9
		<i>Equity instruments: by industry type</i>		
-	-	Consumer	-	-
-	-	Manufacturing	-	-
-	-	Energy and utilities	-	-
-	-	Financial institutions	-	-
-	-	Health and care	-	-
-	-	Information technology	-	-
4,503	23	Other	4,507	27
<b>4,503</b>	<b>23</b>	<b>Sub total equity</b>	<b>4,507</b>	<b>27</b>
		<i>Bonds: by sector</i>		
1,517	8	UK Government	7,969	47
8,762	45	Other	5,973	35
<b>10,279</b>	<b>53</b>	<b>Sub total bonds</b>	<b>13,942</b>	<b>82</b>
		<i>Property: by type</i>		
11,458	59	UK Property	13,765	81
-	-	Overseas Property	-	-
<b>11,458</b>	<b>59</b>	<b>Sub total property</b>	<b>13,765</b>	<b>81</b>
		<i>Private equity</i>		
4,810	25	All	5,511	32
<b>4,810</b>	<b>25</b>	<b>Sub total private equity</b>	<b>5,511</b>	<b>32</b>
		<i>Other investment funds</i>		
61,793	318	Equities	73,236	431
8,065	41	Bonds	13,530	80
4,187	22	Hedge Funds	6,303	37
5,551	29	Commodities	6,102	36
2,781	14	Infrastructure	3,424	20
6,353	32	Other	2,665	15
<b>88,730</b>	<b>456</b>	<b>Sub total other investment funds</b>	<b>105,260</b>	<b>619</b>
		<i>Derivatives</i>		
-	-	Forward foreign exchange contracts	812	5
<b>122,561</b>	<b>630</b>	<b>Total assets</b>	<b>145,253</b>	<b>855</b>

**31. Capital grants & contributions unapplied (Group & OPCC)**

This account holds those capital grants and contributions that have been credited to the Comprehensive Income & Expenditure Statement, are “restricted” but not “conditional” (i.e. must be used for a specific purpose but do not have a repayment condition) but have yet to be applied to capital financing. Capital grants & contributions that are “conditional” are instead held within the Capital Grants Receipts in Advance line on the face of the balance sheet.

2013/14 £000		2014/15 £000
1,573	Amounts receivable in the year	1,888
(1,574)	Amounts applied to finance new capital investment in the year	(1,680)
(1)	<b>Total increase / (decrease) in the year</b>	<b>208</b>
4	Balance brought forward at 1 <sup>st</sup> April	3
<b>3</b>	<b>Balance carried forward at 31<sup>st</sup> March</b>	<b>211</b>

**32. Revaluation reserve (Group & OPCC)**

The revaluation reserve contains the residual gains (since 1<sup>st</sup> April 2007) realised when non-current assets are revalued. The reserve is credited with a revaluation gain or debited with a revaluation loss (in so far as it can be contained by previous gains) on an asset by asset basis. When the revaluation reserve balance for a specific asset is exhausted due to losses, any future losses are instead transferred to the Comprehensive Income & Expenditure Statement (for both the OPCC and the Group).

Adjustments are made to credit the capital adjustment account with depreciation amounts attributable to residual revaluation gains. Residual gains are transferred to the capital adjustment account when an asset is disposed of.

2013/14 Group £000		2014/15 Group £000
	<b>Movements in unrealised value of non-current assets</b>	
1	Gains on upward revaluation of non-current assets	1,952
(10)	Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services	-
3	Transfer to capital adjustment account in respect of non-current asset depreciation (on a revaluation gain)	1
(41)	Transfer to capital adjustment account in respect of residual gains held at the point of disposal of a non-current asset	(29)
(47)	<b>Total movement on reserve in the year</b>	<b>1,924</b>
<b>756</b>	<b>Opening balance at 1<sup>st</sup> April</b>	<b>709</b>
<b>709</b>	<b>Closing balance at 31<sup>st</sup> March</b>	<b>2,633</b>

**33. Capital adjustment account (Group & OPCC)**

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, impairments losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the revaluation reserve related to residual gains). The account is credited with the amounts set aside by the OPCC/Group as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment property. It also contains revaluation gains accumulated on property, plant & equipment before 1st April 2007, the date that the revaluation reserve was created to hold such gains.

2013/14	<i>(See note 1 for further details)</i>	2014/15 Group
<b>£000</b>		<b>£000</b>
(3,753)	Depreciation/amortisation charge in year	(3,822)
(3)	Amounts transferred from revaluation reserve in respect of depreciation/amortisation	(1)
(2,388)	Transfer from Comprehensive Income & Expenditure Statement in respect of non-current asset revaluations	(1,816)
(42)	Revaluation on non-current assets held for sale	-
(346)	Revenue Expenditure funded from Capital under Statute (REFCUS)	(94)
41	Transfer from revaluation reserve in respect of residual gains held at the point of disposal of a non-current asset	29
(1,862)	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	(233)
<b>(8,353)</b>	<b>Net amount written-out of the cost of non-current assets consumed in the year</b>	<b>(5,937)</b>
2,371	Capital expenditure charged against the general fund	1,014
1,014	Use of the capital receipts reserve to finance new capital expenditure	629
1,976	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	2,063
-	Application of grants to capital financing from the capital grants unapplied account	-
793	Revenue provision (including MRP)	904
486	Voluntary revenue provision for capital financing	368
266	Movements in the market value of investment properties charged to the Comprehensive Income & Expenditure Statement	-
<b>(1,447)</b>	<b>Total movement during the year</b>	<b>(959)</b>
41,584	Opening balance at 1 <sup>st</sup> April	40,137
<b>40,137</b>	<b>Closing balance at 31<sup>st</sup> March</b>	<b>39,178</b>

**34. Collection fund adjustment account (Group & OPCC)**

The collection fund adjustment account represents the OPCC/Group's share of the collection fund surplus/deficit held by each council tax billing authority within Leicestershire & Rutland. For 2013/14 and 2014/15, the breakdown of the figure on the OPCC/Group's balance sheet can be analysed as follows:

The OPCC/Group's collection fund adjustment account therefore has a credit balance (surplus) of **£1,207m** at 31<sup>st</sup> March 2015 (2013/14 - credit balance of **£864k**).

2013/14 £000		2014/15 £000
224	<b>Balance at 1<sup>st</sup> April</b>	<b>864</b>
640	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	343
<b>864</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>1,207</b>

**35. Accumulated absences account (Group & OPCC)**

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

In 2014/15 Police Officer RDIL & TOIL increased from £1.41m to £1.50m. The increase has been caused by reductions in Officer numbers and operational priorities. Operations in year such as the King Richard III Burial also contributed to Officers accruing more RDIL & TOIL.

Police Staff RDIL & TOIL also increased in year from £148k to 195k. This is a result of a number of Police Officer Posts being modernised, thereby increasing the number of Police Staff employees working shift patterns and being entitled to RDIL & TOIL.

2013/14 £000	<i>Group</i>	2014/15 £000
<b>(3,244)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(3,106)</b>
3,244 (3,106)	Reversal of opening accrual made at the end of the preceding year Amounts accrued at the end of the current year	3,106 (3,250)
<b>138</b>	Amounts by which remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(144)</b>
<b>(3,106)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(3,250)</b>

The balance shown above is a negative figure due to it being a deficit reserve on the OPCC/Group's balance sheet.

2013/14 £000	OPCC	2014/15 £000
(6)	Balance at 1 <sup>st</sup> April	(13)
6 (13)	Reversal of opening accrual made at the end of the preceding year Amounts accrued at the end of the current year	13 (30)
(7)	Amounts by which remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(17)
(13)	Balance at 31 <sup>st</sup> March	(30)

### 36. Cash flow statement – operating activities (Group & OPCC)

#### 36.1 adjustments to net (surplus) or deficit on the provision of services for non-cash movements.

2013/14 OPCC £000	2013/14 Group £000		Note	2014/15 OPCC £000	2014/15 Group £000
(3,152)	(3,152)	Depreciation		(3,313)	(3,313)
(42)	(42)	Impairment and downward valuations		-	-
(601)	(601)	Amortisation		(511)	(511)
(14)	(14)	Increase/(decrease) in impairment bad debts		16	16
1,731	(753)	Increase/(decrease) in creditors/RIA		(6,242)	(5,410)
3,013	5,497	Increase/(decrease) in debtors/PIA		6,647	5,815
6	6	Increase/(decrease) in inventories		(24)	(24)
(40)	(85,497)	Movement in pension liability		(43)	(83,256)
(1,862)	(1,862)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		(233)	(233)
(162)	(16)	Other non-cash items charged to the net surplus or deficit on the provision of services		(1,844)	(1,971)
(1,123)	(86,434)			(5,547)	(88,887)

#### 36.2 adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities.

2013/14 OPCC £000	2013/14 Group £000		2014/15 OPCC £000	2014/15 Group £000
-	-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-	-
1,014	1,014	Proceeds from the sale of PP&E, investment property and intangible assets.	631	631
1,976	1,976	Any other items for which the cash effects are investing or financing flows	2,063	2,063
2,990	2,990		2,694	2,694

**36.3 net cash flows from operating activities include the following items:**

2013/14 OPCC £000	2013/14 Group £000		2014/15 OPCC £000	2014/15 Group £000
(7)	158,458	Payments made in respect of employees, ill-health pensioners and injury awards	(17)	154,593
795	795	Interest paid	771	771
(49,380)	(49,380)	Council tax (Precept) income	(51,845)	(51,845)
(43,300)	(43,300)	National non-domestic rates income	(41,278)	(41,278)
(80,897)	(80,897)	Police grant income	(78,936)	(78,936)
(766)	(3,892)	Other grant income	(71)	(4,607)
(152)	(152)	Interest received	(116)	(116)

There are additional items that take place between the OPCC/Group and the pension fund account. Amounts are paid by the OPCC/Group – on behalf of the fund – in advance of receipt of the Home Office pension grant. The result is that the OPCC/Group has lent the fund the value of the Home Office debtor. This will be reversed in 2014/15 on receipt of the outstanding pension grant - £833k (2013/14- £2,675k).

**37. Cash flow statement – investing activities (Group & OPCC)**

Investing activities as shown on the Cash Flow Statement consists of the following cash flows:

2013/14 OPCC £000	2013/14 Group £000		2014/15 OPCC £000	2014/15 Group £000
9,555	9,555	Capital payments in the year	6,365	6,365
(1,014)	(1,014)	Capital receipts received in the year	(583)	(583)
-	-	Deferred Capital Receipts	(47)	(47)
(2,042)	(2,042)	Capital grants & contributions received in the year	(2,244)	(2,244)
(490)	(490)	Net movement in short-term investments	-	-
<b>6,009</b>	<b>6,009</b>	<b>Total Investing Activities cash flows</b>	<b>3,491</b>	<b>3,491</b>



**38. Cash flow statement – financing activities (Group & OPCC)**

Financing activities as shown on the Cash Flow Statement (Group & OPCC) consists of the following cash flows:

2013/14 OPCC £000	2013/14 Group £000		2014/15 OPCC £000	2014/15 Group £000
-	-	Repayment of short/long term borrowing – PWLB	-	-
439	439	Repayment of deferred liabilities – Leicestershire County Council debt	439	439
<b>439</b>	<b>439</b>	<b>Total Financing Activities cash flows</b>	<b>439</b>	<b>439</b>

**39. Events after the balance sheet date (Group & OPCC)**

Following a complaint from a retired firefighter, the Pensions Ombudsman found the Government Actuarial Office guilty of maladministration in failing to review commutation factors from 1998 to 2006 applicable to lump sum payments. The full determination is available at <http://www.pensions-ombudsman.org.uk>. The consequences of the case are that a number of police officers who retired between 1998 and 2006 may not have received the amount of commuted lump sum they were entitled to under the scheme.

The judgement was issued in May 2015 and has therefore been treated as an adjusting post balance sheet event due to the estimated value of the liability. The detailed impact of the changes are set out in **Note 30**

**40. Accounting standards issued, not adopted (Group & OPCC)**

***Title of new standard***

*IFRS 13 Fair Value Measurement*

***Nature of change in accounting policy***

This standard introduces a new definition of ‘fair value’ measurement. Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognised and carried in the Balance Sheet.

***Date of application of new standard***

The revised standard will apply to the accounting period beginning 1<sup>st</sup> April 2015

***Impact of the introduction of new standard***

The authority has a number of ‘Investment properties’ and ‘Assets held for Sale’ that will require review and consideration against the requirements of this standard and materiality.

***Other new standards***

Annual Improvements to IFRS’s including:

- *IFRS 1 International Financial Reporting standards - meaning of effective IFRSs;*
- *IFRS 3 Business Combinations – scope of exceptions for joint ventures*
- *IAS40 Investment Properties – clarifying the interrelationship of IFRS 3 Business Combinations and IAS40 Investment Property when classifying property as investment property or owner – occupied property.*

IFRIC 21 – *Levies*- covers the accounting to pay a levy if that liability is within the scope of IAS 37 Provisions, Contingent liabilities and Contingent Assets or whose timing and amount is certain.

The impact of these standards on the financial statements of the Group and OPCC is not expected to be material.

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### **41. Contingent liabilities (Group & OPCC)**

The Civil Claims earmarked reserve (see Note 27 for further details) includes funds set aside by the OPCC/Group in respect of civil claims where transfer of economic benefits is deemed to be unlikely. The OPCC/Group has, however, considered it prudent to set aside funds in the discretionary reserve to cover an unforeseen change to that assessment.

### **42. Critical judgements in applying accounting policies (Group & OPCC)**

In applying the accounting policies set out in Note 47, the OPCC/Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government.

However, the OPCC/Group has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the OPCC/Group might be impaired as a result of a need to close facilities and reduce levels of service provision.

**43. Assumptions made about the future and other major sources of estimation uncertainty (Group & OPCC)**

The Statement of Accounts contains estimated figures that are based on assumptions made by the OPCC/Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the balance sheet at 31<sup>st</sup> March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

item	uncertainty	effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the OPCC/Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £17k for every year that useful lives had to be reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the OPCC/Group with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. Sensitivities are shown below.  However, the assumptions interact in complex ways. During 2014/15, the OPCC's actuaries advised that the net pensions liability had increased by £237m as a result of estimates being corrected as a result of experience and updating of the assumptions.
<b>Sensitivity of pension liabilities: Local Government Pension Scheme</b>		
<i>Change in assumptions</i>		£000
0.5% decrease in real discount rate		32,268
1 year increase in member life expectancy		7,430
0.5% increase in salary increase rate		13,795
0.5% increase in the pension increase rate		17,482
<b>Sensitivity of pension liabilities: Police Pension Schemes</b>		
<i>Change in assumptions</i>		£000
0.1% increase in real discount rate		1,706,990
1 year increase in member life expectancy		1,778,260
0.1% increase in salary increase rate		1,750,452
Accumulated Absences Account	The accumulated absences accrual for leave earned but not taken in the year (eg annual leave, flexi leave) is based on a sample of police staff and extrapolated for the total number of police staff at the 31 <sup>st</sup> March. This represents £0.786m of the overall balance of £3.179m. The remaining balance relates to police officers which is based on 97% of actual data from the Duty Management System.	If the amount of annual and flexi leave for police staff increased by 10% this would increase the balance by £0.05m.
Police pension schemes	Top-up grant receivable from Home Office to cover deficit on schemes is 100%	If top-up grant is cut from 100% to 90% the cost to OPCC/Group could be approximately £2.1m per annum

### **44. Material items of income and expense (Group & OPCC)**

None currently.

### **45. Impairment losses (Group & OPCC)**

There were no impairment losses realised during either 2014/15 or 2013/14 for either the OPCC or the Group.

### **46. Nature and extent of risks arising from financial instruments (Group & OPCC)**

The OPCC/Group's activities expose it to a variety of financial risks:

- *Credit risk* – the possibility that other parties might fail to pay amounts due to the OPCC/Group
- *Liquidity risk* – the possibility that the OPCC/Group might not have funds available to meet its commitments to make payments
- *Market risk* – the possibility that financial loss might arise for the OPCC/Group as a result of changes in such measures as interest rates and stock market movements

#### **Credit risk**

Credit risk for the OPCC/Group has two main sources. Firstly, the short-term (less than 12 months) lending of surplus cash funds to banks and other institutions and secondly the risk of customers failing to pay the OPCC/Group for goods/services provided.

The OPCC/Group follows a defined policy of only lending surplus cash resources to a limited list of banks / institutions in the United Kingdom. This list is regularly reviewed by the Chief Finance Officer of the OPCC. The banks on the OPCC/Group's lending list are carefully selected using credit ratings whilst the OPCC/Group sets a prudent maximum investment limit with each bank. All the banks are based in the United Kingdom.

The OPCC/Group does not expect any losses connected with the short-term investments placed with banks or the other institutions.

Customer credit risk has a very low overall effect on the OPCC/Group by virtue of income from customers being equal to only 4.06% of total income (2013/14 – 4.01%). The risk is managed via the OPCC/Group's credit control policy. This policy sets out the framework within which financial relationships with the OPCC/Group's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Chief Finance Officer for the OCC may authorise the write-off of unrecoverable amounts up to £10k. Amounts above £10k require the authorisation of the Chief Finance Officer for the OPCC.

To further mitigate the risk of customer credit default, the OPCC/Group makes a bad debt impairment each year. The impairment is equal to 0.01% of the total debtors value (2013/14 – 0.10 %). Further information concerning this impairment can be seen in Note 18.

#### **Liquidity risk**

The OPCC/Group's cash flow is managed on a daily basis to ensure that sufficient liquid cash resources are available to meet future payment obligations (for example payments to creditors and payments to and in respect of the OPCC/Group's employees).

If unexpected movements happen, the OPCC/Group has access to borrowings from both the money markets and the PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Risk may arise should the OPCC/Group have to repay a significant proportion of its borrowing in any one financial year. This risk is limited by the fact that the OPCC/Group's PWLB debt portfolio has a spread of maturity dates across a number of financial years. For the maturity profile of the OPCC/Group's PWLB debt commitment, please see Note 22 - Long term borrowing.

All standard creditors are due to be paid within one year – further information can be found in Note 21 - Creditors.

### **Market risk**

#### *Interest rate risk*

The OPCC/Group is exposed to a limited degree of risk regarding interest rate fluctuations on both short-term investments and on new borrowings. Both short-term investments and new borrowings are entered into by the OPCC/Group at a fixed interest rate for the term of each. The risk therefore arises from the uncertainty of what level interest rates will be at when the OPCC/Group either makes a short-term investment or enters into a new borrowing arrangement with PWLB. A movement in interest rates could have a complex impact on the OPCC/Group. For instance, a rise in interest rates would have the following effects:

- Future borrowings would be more costly and result in a higher interest expense charged to the Comprehensive Income & Expenditure Statement
- The fair value of existing borrowings would alter
- Future short-term investments would realise a greater return and result in a higher interest receipt credited to the Comprehensive Income & Expenditure Statement

Borrowings are not carried at fair value in the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income & Expenditure Statement or Statement of Movement in Reserves. Movements in the fair value of fixed rate short-term investments will be reflected in the Comprehensive Income & Expenditure Statement, although as the investments are due to mature within 12 months, no such movement is expected.

The OPCC/Group sets a prudential indicator regarding the percentage of borrowings held as variable rate loans. The limit is set at 40% and has not been breached during the financial year.

The OPCC/Group will consider during periods of falling interest rates, and where economic circumstances allow, the viability of repaying loans early in order to limit the OPCC/Group's exposure to interest rate risk.

#### *Price risk*

The OPCC/Group does not hold equity shares or other shareholdings and hence has no exposure to the gains or losses arising from a movement in the price of shares.

#### *Foreign exchange risk*

The OPCC/Group has no financial assets or liabilities in foreign currencies and hence has no exposure to losses arising from movements in exchange rates.

### **47. Accounting policies used by the Group & OPCC**

It should be noted that all Accounting Policies are harmonised across the group and are applied to the OPCC, OCC and Group consistently. One version of the accounting policies exists and is reproduced here for information.

#### **A1 General principles**

The Office of the Police and Crime Commissioner (OPCC) and the Group is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practice.

The Statement of Accounts summarises the OPCC and Group transactions for the 2014/15 financial year and its position at the year-end of 31<sup>st</sup> March 2015. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* (the Code) and the *Service Reporting Code of Practice 2015/16* (SeRCOP) as published by CIPFA, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The OPCC/Group's accounting policies have been applied consistently over the current and comparative periods.

#### **A2 Accruals of income and expenditure**

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

- Revenue from the sale of goods is recognised when the OPCC/Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the OPCC/Group.
- Revenue from the provision of services is recognised when the OPCC/Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the OPCC/Group.
- 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 employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Grant income is recognised in the financial year to which it relates. Income received early is transferred to receipts in advance on the balance sheet before being transferred to the Comprehensive Income & Expenditure Statement in the appropriate year.

The only exceptions to this policy are transfer values in and out of the police pension scheme (in respect of employees either commencing or leaving the employment of the OPCC/Group) which are included in the pension fund account when they are received or paid.

### **A3 Exceptional items**

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts – depending on how significant the items are to an understanding of the OPCC/Group's financial performance.

### **A4 Prior period adjustments, changes in accounting policies and estimates and errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, except for where the OPCC/Group is of the view that the change in estimate significantly affects year-on-year comparison. Where the change in estimate has a significant impact, the OPCC/Group will restate prior-year figures and provide a full explanation of the adjustments.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other event and conditions on the OPCC/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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **A5 Council tax – collection fund debtors/creditors and surplus/deficit**

The Code requires that council tax income included in the Comprehensive Income and Expenditure Statement be accounted for on an accruals basis. The difference between the amount shown in the Comprehensive Income and Expenditure Statement and the amount required to be transferred to the OPCC/Group under regulation is taken to the Collection Fund Adjustment Account on the Balance Sheet. A reconciling item is also included on the Movement in Reserves Statement.

In addition to the accounting requirements for the Comprehensive Income and Expenditure Statement, the Code requires that each major preceptor (the OPCC/Group in this case) recognises its share of the collection fund debtors and creditors held by each billing authority. Entries are therefore included within the OPCC/Group's debtor and creditor balances to represent its share of the following:

- Council tax arrears (debtor)
- Impairment allowance for bad/doubtful debts (debtor)
- Council tax overpayments and prepayments (creditor)
- Cash balances (debtor or creditor as appropriate)

The net effect of the debtor and creditor adjustments is balanced out by the entry on the Collection Fund Adjustment Account.

### **A6 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 three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The OPCC/Group holds a number of accounts with its banking provider, the balances of which are set-off against each other at the close of each banking day. The net position of these accounts is shown within cash and cash equivalents (within current assets if in credit or within current liabilities if overdrawn).

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 OPCC/Group's cash management.

### **A7 Financial instruments**

The OPCC/Group's balance sheet contains financial assets & liabilities valued at amortised cost. Examples of these assets or liabilities include debtors, creditors, cash overdrafts and short/long-term borrowings. 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.

Where assets or liabilities mature within 12 months of the balance sheet date the carrying amount is assumed to approximate the fair value. In the example of short-term cash investments this means that they are shown at cost plus accrued interest receivable at the balance sheet date as this approximates fair value. Short-term cash investments due to mature within three months of the balance sheet date are shown within "cash & cash equivalents" on the balance sheet.

Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability. For example, interest payable on long-term borrowing (with the Public Works Loan Board or PWLB) is defined by the terms of each loan and the interest rate is fixed at the outset.

Annual credits to the Comprehensive Income & Expenditure Statement for interest receivable are based on the carrying amount of the asset (in this case the short-term cash investment) multiplied by the effective rate of interest (or in other words the agreed rate of return on the investment).

Deferred Liabilities (long-term borrowing with Leicestershire County Council) are accounted for on the basis of outstanding principal amounts as defined by statutory arrangements.

### **A8 Interest**

Interest payable on external borrowings and interest receivable on short-term investments are accounted for on an accruals basis within the accounts. This is to reflect the overall economic effect of the borrowings or investments.

### **A9 Provisions & Contingent Liabilities**

Provisions are made where an event has taken place that gives the OPCC/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 OPCC/Group may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the OPCC/Group becomes aware of the obligation, and are measured at the best estimate 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 – 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 relevant service.

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 for the relevant service if it is virtually certain that reimbursement will be received if the OPCC/Group settles the obligation.



### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the OPCC/Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. 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 are disclosed in a note to the accounts (Note 41 - Group Accounts).

### A10 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 that are expected to be used during more than one financial year are classified as property, plant and equipment.

#### Recognition

Expenditure – over the specified de minimis level – currently £5,000 - on the acquisition, creation or enhancement of property, plant and equipment 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 OPCC/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, and
- 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 OPCC/Group does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the OPCC/Group). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the OPCC/Group.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the general fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the balance sheet using the following measurement bases:

- assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains

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

- 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 relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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.

### **Components**

The OPCC/Group has reviewed its land and buildings non-current assets for evidence of components. A component is a separately identifiable part of an asset which has both a different estimated useful life and also a value which is significant when considered against the total value of the asset.

In conjunction with the OPCC/Group's independent valuers, componentisation thresholds (i.e. the levels at which a component is considered to be worthy of separation) have been set to assist in future asset reviews. A component must constitute more than 25% of the value of the asset and be greater than £100k in value. In addition, the asset must have a useful life (for depreciation purposes) that is significantly different from that of the main structure. Components that are deemed to meet the criteria above are separated from the main structure on the OPCC/Group's asset registers and depreciation calculated separately.

### **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 by:

- 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 relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, equipment and the helicopter – a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer

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

All assets are depreciated in the year of purchase but not in the year of disposal.

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 revalued immediately before reclassification and then carried at the lower of this amount and fair 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 the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously 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 property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the OPCC/Group's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the Movement in Reserves Statement. Where assets are funded by grants or contributions from other bodies that are repayable when the asset is disposed of, appropriate adjustments are made on disposal to recognise a liability.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the general fund balance in the Movement in Reserves Statement.

### **A11 Charges to revenue for non-current assets**

Services, support services and trading accounts 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 assets attributable to the service.

### **A12 Redemption of debt**

The OPCC/Group is not required to raise council tax to cover depreciation, impairment/revaluation losses or amortisation. However, it is required to make an annual provision from revenue (the "MRP" or "Minimum Revenue Provision") to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the OPCC/Group in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment/revaluation losses and amortisation are therefore replaced by the minimum revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### **A13 Capital receipts**

Capital receipts from the disposal of assets are held in the capital reserve until such time as they are used to finance other capital expenditure. Individual receipts of less than £10,000 are credited to the Comprehensive Income & Expenditure Statement and recognised as income.

### **A14 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. 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 OPCC/Group as Lessee**

##### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the OPCC/Group are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is

shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the OPCC/Group at the end of the lease period).

The OPCC/Group is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis 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 commencement of the lease).

### **The OPCC/Group as Lessor**

#### *Finance Leases*

Where the OPCC/Group grants a finance lease over a property or an item of plant or equipment, 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 (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the OPCC/Group's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement 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), 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 Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

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 Reserve in the Movement in Reserves Statement. 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 Movement in Reserves Statement.

### *Operating Leases*

Where the OPCC/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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis 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 OPCC/Group has a number of semi-formal arrangements with local authorities and other bodies to grant use of rooms or offices within the landlord's property. These arrangements (often used as community/beat offices for local police officers) are reviewed to assess the substance of the transaction using such criteria as:

- Are payments being made for use of the room/office?
- Is a lease document in place?
- Does the OPCC/Group have exclusive use of the room/office?
- Does the OPCC/Group have responsibility for the maintenance/repair of the room/office?
- Is a transfer of ownership likely as part of the arrangement?

Where such an arrangement is deemed to constitute a lease, it is disclosed within the *leases* note in the financial statements (note 11 - Group Accounts).

### **A15 Government grants and contributions**

Government grants and other contributions are accounted for on an accruals basis and recognised in the financial statements when the conditions for their receipts have been complied with and there is reasonable assurance that the grant or contribution will be received.

Amounts recognised as due to the OPCC/Group are not credited to the Comprehensive Income and Expenditure Statement 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential 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 Comprehensive Income & Expenditure Statement. Specific revenue grants/contributions are credited to the relevant service line whilst non ring-fenced revenue grants and all capital grants are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the general fund balance in the Movement in Reserves Statement. 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.

### **A16 Inventories**

Supplies of uniform, vehicle parts, vehicle fuel, stationery, catering supplies and other operating equipment are held. Cleaning materials and other items are fully charged to the Comprehensive Income & Expenditure Statement in the year of purchase.

Inventories are valued on the basis of average cost price.

### **A17 Reserves**

The OPCC/Group maintains reserves to finance expenditure on projects which will be carried out in future years and to protect the OPCC/Group against unexpected events.

Details of the nature of reserves made by the OPCC/Group are set out in the notes to the accounts (note 27 – Group Accounts).

### **A18 Investments**

Investments (all maturing within 12 months and hence short-term in nature) are included in the accounts at cost price plus accrued interest owed to the OPCC/Group at the balance sheet date. Where an investment has a short maturity – a period of three months or less from the date of acquisition of the investment – and is due to mature within three months of the balance sheet date, it is shown in cash and cash equivalents.

### **A19 Pensions**

The cost of retirement benefits is recognised in the net cost of services during the period when they are earned by employees, rather than when the benefits are actually paid as pensions in accordance with IAS 19. However, the charge we are required to make against government grants & council tax is based on the employer's contributions to each pension scheme during the year as assessed by an independent actuary.

Further details concerning the impact on the Statement of Accounts from the OPCC/Group's accounting policy for pensions can be seen in Note 30 (Group Accounts) - Defined Benefit Pension Schemes.

### **A20 Employee benefits**

#### ***Benefits payable during employment***

The OPCC/Group makes an accrual in the Comprehensive Income & Expenditure Account for the short-term employment benefits that were not taken during the financial year. These benefits are:

- Annual leave (the amount carried over)
- Time-off-in-lieu (the balance outstanding at year-end)
- Rest days (compensation where a rest day was cancelled)
- Flexi leave (the number of hours outstanding at year-end)

Data concerning the above is collated from the OPCC/Group's personnel systems and costed out at the prevailing rates of pay for the forthcoming year (in effect the rate of pay applicable on 1<sup>st</sup> April as future pay increases may be subject to change).

The accrual is charged to the Comprehensive Income & Expenditure Statement (within the surplus/deficit on the provision of services) and reversed out through the Movement in Reserves Statement. On the balance sheet, the accrual is shown in the creditors section (representing the fact that the employee benefits are due to be realised within the following twelve-month period) with a corresponding entry in the accumulated absences account in the lower half of the balance sheet.

Each financial year has an opening and closing accrual, the impact on the Comprehensive Income & Expenditure Statement is therefore the movement between the two figures.

#### ***Termination benefits***

Termination benefits are amounts payable as a result of a decision by the OPCC/Group to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income

and Expenditure Statement when the OPCC/Group is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the OPCC/Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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**

Employees of the OPCC/Group are members of two separate pension schemes:

- Police staff

The Local Government Pensions Scheme is administered by Leicestershire County Council. This is a funded scheme, meaning that the OPCC/Group and the employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets

- Police officers

The Police Pension Scheme (PPS) for police officers is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pension fund for the year are less than amounts payable, the OPCC/Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus if required to be transferred from the pension fund to the OPCC/Group, which then must be repaid to central government. In April 2006 the Home Office introduced changes to the arrangements for police pension financing. The 1987 and 2006 police pension schemes are now closed to new members. New police recruits from the 6<sup>th</sup> April 2015 will join the new 2015 police pension scheme. .

Both types of schemes provided defined benefits to members (retirement lump sums and pensions), earned whilst employees of the OPCC/Group.

### **Police staff**

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Leicestershire County Council pension fund attributable to the OPCC/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 of mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices.

The assets of Leicestershire County Council pension fund attributable to the OPCC/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.



In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the OPCC/Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Police officers

The OPCC/Group participates in the following schemes:

- Police officers in service on or before 31 March 2006 are admitted to the 1987 Police Pensions Scheme - 1987 scheme
- Police officers in service on or after 1 April 2006 are admitted to the 2006 Police Pension Scheme – 2006 scheme
- From the 6<sup>th</sup> April 2015 a new Police Officer Pension Scheme came into existence (the Police Pension scheme 2015) which will provide pensions based on career average salaries. All new officers and existing officers not covered by the protection arrangements will now be members of the 2015 scheme.

All of these schemes are defined benefit schemes and are unfunded, meaning that there are no investment assets built up to meet pensions liabilities.

The expenditure and income in respect of this scheme is accounted for in the police pension fund account with the exception of injury and some ill health retirement payments, which are charged to the Comprehensive Income and Expenditure Statement. The pensions top up grant, receivable by the fund, is initially credited to the Comprehensive Income and Expenditure Statement, and then transferred to the police pension fund account via the Movement in Reserves Statement.

The liability for future payments that will be made in relation to retirement benefits has been assessed by the Scheme's actuaries based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees.

The cost of future retirement benefits when they are earned by serving police officers are recognised in the Comprehensive Income and Expenditure Statement in accordance with *IAS 19, Accounting for Retirement Benefits*, and therefore form part of the net deficit for the year. In order to ensure that these costs have a neutral impact upon the amount raised from council tax, they are reversed out in the Movement in Reserves Statement.

### Discretionary benefits

The OPCC/Group also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements due to medical reasons or injury. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **A21 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core – costs relating to the OPCC/Group's status as a multifunctional, democratic organisation.
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of net expenditure on continuing services.

The Comprehensive Income & Expenditure Statement is produced by following the "Police Objective Analysis" approach to costing – this results in the net costs of the OPCC/Group being aligned to one of eleven key headings:

- Local policing
- Dealing with the public
- Criminal justice arrangements
- Road policing
- Specialist operations
- Intelligence
- Specialist investigation
- Investigative support
- National policing
- Non distributed costs
- Corporate and democratic core

There is also a "Subjective Analysis" version of the Comprehensive Income & Expenditure Statement (Note 2) provided which presents the same net costs of the OPCC/Group as under the "Police Objective Analysis" but by cost category instead. An example of such a cost category is "Police Officer Pay and Allowances" or "Supplies and Services".

### **A22 Estimation techniques**

The following estimation techniques have been used in the accounts:

- Capital creditors – quantity surveyors estimate of the value of the work undertaken
- IAS 19 Valuation – actuarial valuations of future pensions liabilities are provided by independent actuaries.
- Employee benefits – where employee benefits have been accrued for at the balance sheet date, they have been calculated using a sample of data taken from the various systems (whether manual or electronic) in which it is retained. This sample is analysed and extrapolated upwards to calculate the accrual for the population.
- Vehicle fleet residual values and depreciation rates – a comparison between estimated sales proceeds and the residual value of each vehicle (10% of purchase cost) is used to gain assurance that the valuation and depreciation policies remain appropriate.
- Civil claims provision – estimations of the OPCC/Group's potential liability to civil claims is provided by the appointed claims handlers. See the specific accounting policy above.
- Bad debt provision – the OPCC/Group assesses the outstanding sales invoices at 31<sup>st</sup> March and makes specific provision for those invoices where it is considered unlikely payment will be received.
- The Police Pensions liability has been increased by £5.5 million to recognise in the Accounts the estimated cost of probable revised lump sum pension payments and interest for retired police officers - see **Note 30** for more detail. The increase in liability is based on initial calculations supplied by our Police Pensions Administrator.

### **A23 Jointly controlled operations**

The OPCC/Group has an interest in nine jointly controlled operations. It is the lead accounting body for five of these:

- East Midlands Air Support Unit (EMASU)
  - The additional partners are Northamptonshire Police and Warwickshire Police
- East Midlands Special Operations Unit (EMSOU)
- East Midlands Special Operations Unit – Major Crime (EMSOU-MC)
- East Midlands Collaborative Human Resources Services – Occupational Health Unit (EMCHRS-OHU)
  - The additional partners are Derbyshire Police, Lincolnshire Police, Northamptonshire Police and Nottinghamshire Police
- East Midlands Collaborative Human Resources Services – Learning & Development Unit (EMCHRS-LDU)
  - The additional partners are Derbyshire Police, Northamptonshire Police and Nottinghamshire Police

The lead accounting body for the remaining jointly controlled operations is Derbyshire Police:

- East Midlands Technical Surveillance Unit (EMTSU)
- East Midlands Legal Services Unit (EMLSU)
- East Midlands Forensic services (EMFSS) (Joined from the 1<sup>st</sup> April 2014)
  - The additional partners are Derbyshire Police, Lincolnshire Police, Northamptonshire Police and Nottinghamshire Police

East Midlands Collaborative Human Resources Services – HR Service Centre (EMCHRS-HRSC) – commenced during the 2014-15 financial year

- The additional partners are Derbyshire Police

Adjustments have been made to the balance sheet to reflect the share of each jointly controlled operation's gross assets and liabilities controlled by the OPCC/Group as at 31<sup>st</sup> March 2015. Adjustments have also been made to the Comprehensive Income & Expenditure Statement to reflect the OPCC/Group's share of each jointly controlled operation's transactions during the year. These adjustments have no effect on the overall amount to be met from government grants and council tax. Further details are shown in Note 8

Leicestershire contributes 1/3 (one third) to the net revenue budget of EMASU, 23% to EMSOU, EMSOU-MC, EMCHRS-OHU and EMTSU, EMFSS, 26.41% to EMCHRS-LDU, 21.1% to EMLSU and 51.2% to EMCHRS-HRSC

During the course of 2013/14, EMASU's former operational responsibilities transferred to the National Police Air Service (NPAS) hosted by West Yorkshire Police. Several operational assets (most notably the helicopter) transferred to West Yorkshire Police with effect from 3<sup>rd</sup> October 2013. The hangar/buildings did not transfer however and are still held under the existing consortium agreement with costs being recharged to West Yorkshire Police. At 31<sup>st</sup> March 2015, the consortium is still in operation covering the ownership and management of the hangar.

### ***A24 Events after the reporting period***

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts except in circumstances where their effect is considered to have already taken place using the "substance over form convention".

### **A25 Investment property**

These are non-current assets that are held solely to earn income and/or realise capital appreciation and are valued at market value as determined by the OPCC/Group's specialist valuers. Any change in the market value of the investment property (together with any income or expenditure that is generated) is debited or credited to the *financing and investment income and expenditure* section of the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

### **A26 Non-current assets held for sale**

Assets held for sale are those assets whose carrying amount is going to be recovered principally through a sale transaction rather than through continued use. Assets that are intended to be abandoned or scrapped at the end of their useful life are not covered by this definition. The Code sets a number of specific criteria, all of which must be met for an asset to be deemed "asset held for sale":

- The asset must be available for immediate sale in its present condition
- The sale must be highly probable and a plan to sell the asset in place
- The asset must be actively marketed for sale at a price that is reasonable in relation to the current value
- The sale should be expected to complete within one year of the date of classification as a asset held for sale

Where an asset meets these four criteria, it is revalued at fair value (existing use) and then transferred to the *assets held for sale* heading on the balance sheet. Assets held for sale are measured at the lower of (a) fair value (existing use) and (b) market value less disposal costs. Where the market value of an asset held for sale is deemed to have fallen below the current carrying value, the loss is charged to the Comprehensive Income & Expenditure Statement ("Other Operating Expenditure" line). However, as this

is not a charge permitted by statute against the general fund, a reconciling entry is made in the Movement in Reserves Statement to reverse the transaction to the Capital Adjustment Account.

A subsequent increase in market value is credited to the Comprehensive Income & Expenditure Account in the same way but only up to the limit of the value the asset was held at when first reclassified as an asset held for sale. Any further gains in market value over and above the original carrying value will be realised when the asset is disposed of. It should be noted that a balance may remain on the revaluation reserve attributable to the asset. This balance is transferred to the capital adjustment account at the point of disposal.

### **A27 Intangible assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the OPCC/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 OPCC/Group.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the OPCC/Group can be determined by reference to an active market. In practice, no intangible asset held by the OPCC/Group meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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 general fund Balance. The gains and losses are therefore reversed out of the general fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **A28 Revenue expenditure funded from capital under statute (REFCUS)**

Expenditure that is financed by capital funding but does not result in either a new asset or an increase in value of an existing asset is classified as Revenue Expenditure Funded from Capital Under Statute and is amortised fully through the Comprehensive Income & Expenditure Statement in the year that the expenditure is incurred. A reversing entry is made in the Movement in Reserves Statement to neutralise the effect on the OPCC/Group's revenue funds

### **A29 VAT**

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

### **A30 Accounting for the costs of the carbon reduction commitment scheme**

The OPCC/Group has been informed by external advisers that it no longer meets the criteria for entry into the carbon reduction commitment scheme. Therefore all historic liabilities are now settled and no further liability is foreseen at this time. The OPCC/Group's requirement to account for its liabilities under this scheme are subject to regular review.

## Introduction

The police officer pension fund account was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932). It is administered by the Chief Constable using the resources of the OPCC/Group.

The fund receives income each year from:

- Employer's contributions from the OPCC/Group based on a percentage of pay
- Home Office top-up grant
- Contributions from serving police officers
- Other receipts

Pensions to retired police officers, lump sum payments and other benefits are paid from the fund.

The following table shows the movements on the pension fund account for the year:

2013/14 £000		2014/15 £000
(17,682)	<b>Contributions receivable:</b>	
(2,217)	<b>OPCC/Group</b>	
(9,542)	■ employer's contributions	(17,048)
	■ early retirements	(1,401)
	■ officers' contributions	(9,671)
(29,441)		(28,120)
(763)	<b>Transfers in from other pension schemes</b>	(629)
	<b>Benefits payable:</b>	
35,257	■ pensions	37,469
10,101	■ commutations and lump sum retirement benefits	9,669
3,305	■ ill-health commutations and lump sum retirement benefits	1,805
251	■ lump sum death benefits	-
48,914		48,944
	<b>Payments to and on account of leavers:</b>	
11	■ refund of contributions	15
536	■ transfers out to other police Forces	704
547		719
<b>19,257</b>	<b>Net amount payable for the year</b>	<b>20,913</b>
<b>(19,257)</b>	<b>Additional contribution from the OPCC/Group</b>	<b>(20,913)</b>

The following table identifies the net assets and liabilities of the fund:

31 March 2014 Restated £000		31 March 2015 £000
6,146	<b>Current assets</b>	
	Contributions due from the OPCC/Group	10,801
(5,505)	<b>Current liabilities</b>	
	Unpaid pensions benefits	(5,505)
<b>641</b>		<b>5,296</b>

**Notes**

**Note 1**

The Chief Constable is required by law to operate a pension fund and the amounts that must be paid into and out of the fund are specified by regulation. Due to the fact that the OCC does not hold assets or liabilities, no cash is transacted by the Chief Constable. All payments and receipts into and out of the fund are made by the OPCC such that the OCC can fulfil the administration of the fund. The fund will be balanced to nil at the end of each financial year either by paying over any surplus to the Home Office or by receiving cash in the form of pension top-up grant from the Home Office to make up any deficit. The OPCC acts as intermediary where grant payment/receipt takes place – the grant is therefore shown on the OPCC’s Comprehensive Income & Expenditure Statement but is transferred to the pension fund account by an adjustment in the Statement of Movement in Reserves. The fund does not hold any investment assets and follows the accounting policies of the OPCC/Group.

**Note 2**

Details regarding the accounting policies are detailed within note 47, A19 and A20, notes to the core financial statements.

**Note 3**

The pension fund does not take account of the liabilities to pay pensions and other benefits after the end of the financial year.

Details of the OPCC/Group’s long-term pension obligations can be found in the notes to the core financial statements at note 30

**Note 4**

Employees’ and employer’s contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to recalculation by the Government Actuary’s Department.

2013/14 %		2014/15 %
24.20	Employer's contribution level	24.20
13.50	Employees' contribution level	
11.50	■ 1987 scheme	14.25
	■ 2006 scheme	12.05

- The employees’ contribution level figures are quoted for a tier 2 officer – those on a basic annual salary of more than £27k but less than £60k.

**Note 5**

Unpaid pension benefits of £5.5 million have been recognised as a liability in the Pension Fund. This is to reflect the estimated cost of probable revised lump sum pension payments and interest for retired police officers. Following a complaint from a retired firefighter, the Pensions Ombudsman found the Government Actuarial Office guilty of maladministration in failing to review commutation factors from 1998 to 2006 applicable to lump sum payments. The full determination is available at <http://www.pensions-ombudsman.org.uk>. The consequences of the case are that a number of police officers who retired between 1998 and 2006 may not have received the amount of commuted lump sum they were entitled to under the scheme.

A corresponding debtor has been recognised as a Pension Fund asset to reflect the Home Office liability to make the additional top up payment as laid down in the Police Pension Fund Regulations 2007 through the local Policing Body.



## Introduction

In the financial year 2014/15, the implications of the Police Reform and Social Responsibility Act 2011 continued to embed for the two corporations sole of the Office of the Police and Crime Commissioner and the Office of the Chief Constable. During the year considerable focus has been placed on reviewing and refining governance arrangements to ensure that the previous sound record continues in the new regime. The paragraphs below describe some of that effort and focus:

### 1) Scope of Responsibility

The Police and Crime Commissioner for Leicestershire (PCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that it is used economically, efficiently and effectively. The PCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The PCC has approved and adopted a Corporate Governance Framework, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Framework can be obtained from the Office of the Police and Crime Commissioner (OPCC), Leicestershire Police Headquarters, St Johns, Enderby, Leicester, LE19 2BX or on our website at [www.leics.pcc.police.uk](http://www.leics.pcc.police.uk). This statement explains how the PCC has complied with the Framework and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of an annual governance statement.

### 2) The Purpose of the Governance Framework

The Corporate Governance Framework comprises the systems and processes, and culture and values, by which the OPCC is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the OPCC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PCC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Corporate Governance Framework was in place during 2013/14 and in line with good practice was reviewed in March 2014 by the OPCC and the CC and considered by the Joint Audit Risk and Assurance Panel (JARAP) and incorporated the revisions required for changes under Stage 2 transfer arrangements which took place on the 1/4/14.

### 3) The Governance Framework

Both the OPCC and the CC continued to ensure that appropriate management and reporting arrangements were in place to enable it to satisfy itself that its approach to corporate governance was both adequate and effective in practice. These included:

- The Corporate Governance Framework;
- A Risk Management Strategy;
- An Annual Governance Statement produced by the OPCC and the CC;
- A Regional Governance Statement;
- Responsibility given to the Strategy;
- Reviewing the operation of the Framework and the Risk Management Strategy in practice; and
- Ensuring that there is an effective internal audit function.

Baker Tilly, the internal auditors, have continued in 2014/15 to review the status of the PCC's and the CC's internal control arrangements. Baker Tilly routinely report to and attend the Joint Audit, Risk and Assurance Panel (the

JARAP) to provide assurance on the adequacy and effectiveness of internal control. In addition, they attend management and JARAP agenda-setting meetings to inform and highlight national and regional themes, considerations and practices.

The system of internal control is based on a framework of robust financial and contract procedure rules and processes, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the OPCC and the Office of the Chief Constable (OCC) and is reviewed by internal and external audit. In particular the system includes:

- A thorough Police and Crime Plan (which was refreshed in 2013/14 and 2014/15) that seeks to focus activity on the issues of highest importance as evidenced by the extensive research undertaken;
- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan;
- Comprehensive budgeting systems that seek to align resources with priorities;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action;
- Effective risk management strategies, registers, action plans and tactics;
- A Commissioning Framework (which was refreshed in 2013/14 and 2014/15 alongside the Police and Crime Plan) which details the approach to engagement with partners and to commissioning appropriate outcomes through third party providers;
- Engagement in value for money benchmarking such as is conducted by Her Majesty's Inspectorate of Constabulary (HMIC);
- A well-researched and coherent Corporate Governance Framework ( which was reviewed in March 2014) that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriate statutory officers within both the OPCC and OCC, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- Codes of Conduct and standards of behaviour clearly set out in governance documents and the former signed by the PCC;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC;
- In-house Internal Audit function where the plan is directed towards risk and emerging issues; and where the plan is shaped by both the OPCC and the OCC;
- External reviews and inspections including thematic reviews by HMIC which inform the PCC and the CC and highlight risks and learning points in addition to good practice.
- In 2014/15 the decision was made to create an independent Ethics and Integrity Committee in addition to the JARAP and the Committee fully established in 2015/16.

#### 4) Review of Effectiveness

The OPCC and OCC have responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the OPCC and OCC who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Considering the significant changes to the governance regime in 2012/13, the OPCC and OCC continued to invest in an internal audit programme in 2014/15 which gave additional assurance under the new arrangements. The OPCC ensured specific audits on Governance and Commissioning took place to review the controls and assurances in place, these were found to be working and the audit assessments are detailed further in the document.

The JARAP completed its first year in operation and met four times during the year, in addition to undertaking thematic (detailed) reviews into areas of the OCC and OPCC to give greater assurance on the controls in place. The JARAP undertook a detailed work plan which included considering the work of internal and external audit, the in-house internal audit team, tracking of internal audit recommendations, risks and risk management, the Corporate Governance Framework and specific themes. In addition, the JARAP approved an annual workplan, reviewed their terms of reference and produced an annual report of their work.

The Baker Tilly internal audit annual report covered the period 1 April 2014 to 31 March 2015 and was reported to and considered by the JARAP in June 2015.

The internal audit opinion for 2014/15 was as follows:

*"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Office of the Leicestershire Police and Crime Commissioner's arrangements.*

*In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2015 the Office of the Leicestershire Police and Crime Commissioner has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives."*

The basis of Baker Tilly's opinion was as follows:

**Governance** – *"An audit of Governance for both the OPCC and the OCC was undertaken during the year which resulted in a substantial (Green) assurance opinion for both entities. We found that the governance framework was established with regular meetings being held and actions agreed and carried forward. Regular meetings were chaired by the PCC and used to set the strategic direction for Leicestershire Police and for monitoring purposes against the Plan. Meetings were also held in public with the aim of providing greater transparency.*

*We concluded that the governance arrangements in place for both the OPCC and the OCC were adequate and effective."*

**Risk Management** – *"We undertook a review during the year of the Risk Management arrangements in place for the OCC and OPCC which resulted in an Amber/Green (reasonable) assurance opinion for each entity.*

*We found Risk Management Policies and Registers were in place; however, further work was required on the identification and use of assurances in the risk management process.*

*We concluded that the risk management arrangements in place for both the Office of the Police and Crime Commissioner and the Officer of the Chief Constable were adequate and effective."*

**Control** – *"Nine other assurance audit reports were issued across the OPCC and Force in 2014/15, all of these except one was a Substantial (Green) assurance opinion. The one exception related to Seized and Found Property where we provided a "cannot take assurance" (Red opinion) on the controls in place. The main issues in this review related to the accuracy of the system and significant number of items "booked out to office" which required investigation, the use of the Paypal account and use of auction houses. Further to this we completed two advisory reviews which included a walkthrough of the key financial systems to ensure no significant changes in the control framework and a walkthrough of the new finance system where changes were proposed to ensure there was an adequate proposed control framework.*

*In addition, we undertook two reviews within the East Midlands on Collaboration:- the East Midlands Operational Support Service (EMOpSS) was provided with an Reasonable (Amber/Green) assurance opinion and the Innovation Fund was provided with a "cannot take assurance" (Red) Opinion as we found there was not a consistent, transparent and overarching governance framework in place to provide oversight and effective management of the Innovation Funds.*

*We concluded that the control arrangements in place for both the OPCC and OCC were adequate and effective, although some weaknesses and areas for improvement were identified."*

External audit (PricewaterhouseCoopers – PWC) issued their Annual Audit Letter for 2013/14 in October 2014. That Letter built on the report to those charged with governance considered by the JARAP in September 2014 and was intended to summarise the results of their 2013/14 audit. It noted that:

- an unqualified audit opinion on the Statement of Accounts was issued by 30 September 2014;
- the financial statements and supporting schedules were ready within the agreed timetable;
- the quality of the working papers and draft accounts were again of a high standard;
- the finance staff were helpful and co-operative throughout;
- our work on the systems identified no material weakness;
- no material errors (or errors above the reporting threshold) were found in our work on the accounts;
- As a consequence of the updated legislation and additional guidance and interpretations issued by CIPFA and the Audit Commission, it was decided by management that the financial statements should be revisited and updated. We reviewed management's assessment, approach and accounting treatment adopted for the 2013/14 financial statements. This resulted in us agreeing with the overall approach that management had taken when producing the financial statements, which was in line with the revised guidance;
- The 'going concern' assumption is appropriate;
- We issued an unqualified conclusion on the ability of the CC and PCC to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context

JARAP members undertake portfolio and detailed reviews into key areas and also regularly attend pertinent meetings including regular attendance at the Strategic Organisational Risk Board (SORB).

JARAP have completed an annual report for 2014/15 which summarised the outcomes of their work and the areas reviewed to gain assurance and internal control. This included presentations and detailed reviews into thematic areas such as the updated actions being progressed in respect of seized and found property and other thematic areas including commissioning, communications and engagement, sentinel and operation tiger.

## 5) Significant Governance Issues

The following significant governance issues have been identified and are being addressed through appropriate action plans.

### *Police and Crime Plan and Resources*

The Police and Crime Plan has been produced following thorough research and consultation. The objectives are clear and the targets are demanding. However, the extended period of austerity across the public sector has produced an estimated funding gap over the medium term to 2016/17 of some £20m for the OPCC for Leicestershire. In addition, a review of the funding formula is likely to have as yet unpredictable distributional impacts. There is a danger that as the funding gap is closed, the ability of the Force to address the Plan objectives and targets is reduced.

In order to seek to mitigate the potential impact of budget reductions, a programme of work took place that produced a comprehensive suite of change options to create a Force that is fit for 2016/17 and beyond. Detailed savings plans were developed and implemented, a new operating model was implemented (Project Edison) which reduced the savings to be found by 2016/17. The medium Term Financial Strategy was updated to 2019/20 and this highlighted further financial savings to be found beyond the 2016/17 target.

A refreshed Police and Crime Plan was produced during the year which incorporated a balanced medium term financial strategy (MTFS) and showed how the Plan can be delivered through implementing appropriate changes and utilising reserves and precept strategies.

### *The responsibilities of the PCC continue to increase*

Following the PCC coming into office there has been an increase in demands on the role compared to those made of the Police Authority, which had 17 members. In addition there has been an increasing direction to allocate additional responsibilities to the PCC, which included responsibilities for Victim, Witnesses and Restorative Justice Commissioning from October 2014 and referral services from April 2015. In addition, interest in matters around

the PCC such as salaries, cost of the office, travel expenses, etc. There is a danger that the reputation of the OPCC and the PCC himself may be damaged if these matters are not handled effectively and with transparency.

The OPCC continues to strive and has achieved in containing and reducing its costs in order to show that it is operating with the minimum level of resources required to be effective, sharing resources with the OCC where this is appropriate and prudent to do so. Meanwhile, efforts are ongoing to proactively communicate with the public in general and with interest groups and individuals where appropriate. A communications and engagement plan is being refined to ensure that the PCC is able to fulfil the expectations of him in a structured and effective manner.

### *Commissioning*

The PCC is operating in a new environment of commissioning services from others with grants made available from the Home Office and elsewhere (aggregated into the Community Safety Fund - CSF). These grants were previously made available to other agencies directly, so there has been some sensitivity as to how they will be allocated in future. In addition, working in partnership with other agencies is crucial to the successful delivery of the ambitions set out in the Police and Crime Plan.

Considerable effort has been made to engage effectively with partners, to understand their aims and objectives and to recognise those and the partner contributions to delivery in the Plan. The proposals for effective commissioning were issued in the Commissioning Intentions during 2013/14 and the document was refreshed during both 2013/14 and 2014/15. A further refresh will take place in 2015/16.

### *Partnerships*

In line with the significant development plans for Leicester, Leicestershire and Rutland over the next 15 years, the PCC has worked throughout 2014/15 with the Force to build relationships with key Local Authority partners arising from a previous challenge made to Local Authority planning decisions. The PCC and Chief Constable met with all Chief Executives and leaders and further actions were developed by the PCC to assist in mitigating this risk further and rebuilding relationships with key partners. These actions included strengthening the partnerships resource within the OPCC team (within existing resources), reviewing the Strategic Partnership Board and its sub groups and within his 2015/16 Precept decision, ring fencing the sum of £2m to support partners in working together on common strategic issues.

### *Regional Collaboration*

Both the OPCC and the OCC in Leicestershire are active supporters of regional collaboration on a range of support and front-line functions. There is, of course, a requirement to ensure that these arrangements are governed appropriately and are delivering value for money. The Chief Finance Officers of the region are concerned that increased collaboration needs to be implemented in line with an appropriate strategic direction and that risk as well as benefits are considered and internal controls put in place.

All OPCC and CCs set aside resources for collaborative audits and as highlighted from the Internal Audit Reviews above, the results of these audits have highlighted the need for improved internal controls, governance and assurances to be developed further in regional collaborative activities. As part of this work a collaboration-assurance approach has been designed and is being tested as a "proof of concept" on the shared regional area of Learning and Development, for which the results are anticipated in the near future.

In late 2014/15 and continuing into 2015/16, the Force identified a potential area of fraud and corruption in relation to regional seized property. In addition to a criminal investigation taking place, the Force has implemented an immediate review of controls and assurances in place, and of all safes within the Force Area. The PCC was briefed and updates were provided to Regional PCCs and their statutory officers in addition to the JARAP chair and both Internal and External Auditors have been briefed and an action plan is being developed which will incorporate independent internal audit and input from regional statutory officers.

In terms of value for money, regional PCCs have set the Regional Collaboration team challenges to identify efficiencies, some of which have been implemented in the 2015/16 Regional budgets.

Work has continued on the implementation of Regional NICHE arrangements, custodial arrangements, Regional Innovation Funds and the East Midlands Operational Specialist Services.

## *National Developments*

There are a number of national developments which continue to be proposed and which may have a direct or oblique impact on OPCCs and OCCs through reducing and/or increasing opportunities for collaboration and partnership working and/or adding more responsibility without compensating resources.

The OPCC and OCC are seeking to gather information on the proposals and to input where and when invited to do so. When more firm proposals are known, then detailed responses will be prepared.

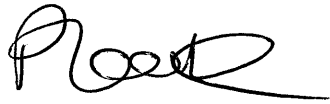
## *Conclusion*

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Sir Clive Loader  
Police and Crime  
Commissioner

29<sup>th</sup> September 2015



Paul Stock  
Chief Executive, OPCC

29<sup>th</sup> September 2015



Helen King  
Chief Finance Officer, OPCC

29<sup>th</sup> September 2015



## East Midlands Police Collaboration

Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

### **ANNUAL GOVERNANCE STATEMENT** **FOR REGIONAL COLLABORATION 2014/15**

I confirm that the relevant controls and procedures are in place to manage the following issues within Regional Collaboration for the East Midlands:

**1. The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked.**

DCC (East Midlands) monitors performance. This is reported to the East Midlands Police and Crime Commissioners (EMPCC) Board on a quarterly basis.

**2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.**

Compliance is monitored by management review, supported by specialist professional advice where appropriate. Where areas for improvement are identified these are subject to action plans that are revisited to ensure that they have been attended to.

Thematic inspections form part of the monitoring controls to ensure compliance with appropriate policies and regulations and demonstrate the effective and efficient use of resources.

In late 2014/15 and continuing into 2015/16, a potential area of fraud and corruption was identified in relation to regional seized property held within the Leicestershire area. In addition to a criminal investigation taking place, the EMSOU has implemented an immediate review of controls and assurances in place and of all safes within their control. The regional PCC's were briefed alongside their statutory officers. Internal and External Auditors have been informed and an action plan is being developed which will incorporate independent internal audit and input from regional statutory officers.

**3. That the appropriate controls are in place for the management of all resources deployed within Regional collaboration**

A management structure is in place, with clear lines of accountability for both operational issues and use of resources.

A budget is approved each year at the EMPCC's Board which defines the expenditure targets for each area of policing within regional collaboration. Each force actively supports the budget allocation and sets its own precept accordingly.

Management reports showing costs against budget are provided monthly. Unexpected variances are investigated and explained, ready for reporting to quarterly Management Boards and the EMPCC's Board. Monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date and projected outturn position.

#### 4. Incorporating good governance arrangements in respect of partnerships.

The EMPCC's Board provides a forum for all members of collaboration to feedback their experiences of the partnership work. All forces can discuss governance, performance and financial issues at the quarterly meetings. The collaboration builds on best practice from across the region to improve performance as well as saving money.

**Signed**



Date 3/7/15.

Peter Goodman  
Deputy Chief Constable (East Midlands)



## ***Independent auditors' report to the Police and Crime Commissioner for Leicestershire ("the Commissioner")***

### **Report on the financial statements**

#### **Our opinion**

In our opinion, the Police and Crime Commissioner for Leicestershire's Commissioner and Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Commissioner's and of the Group's affairs as at 31 March 2015 and of the Commissioner's and Group's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

#### **What we have audited**

The financial statements comprise:

- the Commissioner and Group Balance Sheets as at 31 March 2015;
- the Commissioner and Group Comprehensive Income and Expenditure Statements for the year then ended;
- the Commissioner and Group Statement of Movement in Reserves Statements for the year then ended;
- the Commissioner and Group Cash Flow Statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

In applying the financial reporting framework, the Chief Finance Officer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, she has made assumptions and considered future events.

#### **Opinion on other matter prescribed by the Code of Audit Practice**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Other matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Commissioner to consider it at a public meeting and to decide what action to take in response; or

- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

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### Responsibilities for the financial statements and the audit

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#### Our responsibilities and those of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 6 the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Commissioner in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Commissioner's and Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Finance Officer; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Chief Finance Officer's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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### Report on the pension fund accounts

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#### Our opinion

In our opinion, the pension fund accounts contained within the Statement of Accounts of the Police and Crime Commissioner for Leicestershire (the "pension fund accounts"):

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015, and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and

- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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### What we have audited

The pension fund accounts comprise:

- the Net Assets Statement as at 31 March 2015;
- the Fund Account for the year then ended; and
- the notes to the financial statements, which include explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In applying the financial reporting framework, the Chief Finance Officer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, she has made assumptions and considered future events.

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### Opinion on other matter prescribed by the Code of Audit Practice

In our opinion, the information given in the explanatory foreword for the financial year for which the pension fund accounts are prepared is consistent with the pension fund accounts.

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### Responsibilities for the pension fund accounts and the audit

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#### Our responsibilities and those of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 6 the Chief Finance Officer is responsible for the preparation of the pensions fund accounts and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### What an audit of pension fund accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the pension fund accounts sufficient to give reasonable assurance that the pension fund accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Finance Officer; and
- the overall presentation of the pension fund accounts.

We primarily focus our work in these areas by assessing the Chief Finance Officer's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited pension fund accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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### **Conclusion on the Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources**

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#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 13 October 2014, we are satisfied that, in all significant respects, the Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

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#### **What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 13 October 2014, as to whether the Commissioner has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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#### **Our responsibilities and those of the Commissioner**

The Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

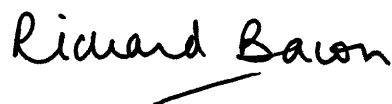
We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Certificate

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We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Leicestershire in accordance with the requirements of Part II of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.



Richard Bacon (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

30 September 2015

- (a) The maintenance and integrity of the Police and Crime Commissioner for Leicestershire website is the responsibility of the Commissioner; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

### **Accounting policies**

These are a set of rules and codes of practice used in preparing the accounts

### **Accrual**

A sum included in the accounts to cover income or expenditure attributable to an accounting period for goods supplied and received or works done but for which payment has not been received or made by the end of the period.

### **Actuarial gain/loss**

The change in pension liabilities that arises because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or because the actuarial assumptions themselves have changed.

### **Actuarial Valuation**

A valuation of the assets of a pension scheme, an estimate of the present value of benefits to be paid and an estimate of the future required contributions into a pension scheme.

### **Amortisation**

The annual amount charged to the Comprehensive Income & Expenditure Statement in respect of the consumption of intangible non-current assets (i.e. software licenses).

### **Budget**

A statement of the OPCC/Group's plans in financial terms. A budget is prepared and approved by the OPCC/Group prior to the start of each financial year.

### **Capital expenditure**

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

### **Capital financing requirement**

The capital financing requirement represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third-party contributions at the time of spending. It measures the OPCC/Group's underlying need to borrow for a capital purpose.

### **Capital grant**

Grant received from central government that is used to finance specific schemes in the capital programme. Where capital grants are receivable, these are used as far as possible to finance relevant capital expenditure within the year they are received.

### **Capital receipts**

Proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by central government.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public services.

### **Commuted lump sums**

These are the amounts paid to officers when they retire, if they choose to have a lower pension.

### **Contingent liabilities**

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the OPCC/Group's control, or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### **Corporate and democratic core**

These represent the costs of delivering public accountability and representation in policy making and meeting our legal responsibilities.

### **Creditors**

Amounts owed by the OPCC/Group for work done, goods received or services rendered which have not been paid for by the end of the financial year.

### **Current service cost (Pensions)**

The increase in the present value of pension liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of pension benefits on retirement.

### **Debtors**

Sums of money due to the OPCC/Group for work done or services supplied but not received at the end of the financial year.

### **Deferred liabilities**

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

### **Defined benefit scheme**

A pension or other retirement benefit scheme, with rules that usually define the benefits independently of the contributions payable and where the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

### **Depreciation**

The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, passing of time or obsolescence through either changes in technology or the demand for the service produced by the asset.

### **Financial regulations**

A written code of procedures approved by the OPCC/Group and intended to provide a framework for the proper financial management of the OPCC/Group. The financial regulations are supported by detailed financial instructions.

### **Financial year**

The period of time commencing on the 1<sup>st</sup> April covered by the accounts.

### **Formula spending share**

The proportion of spending by local authorities which the government considers should be attributed to each OPCC/Group and used as a basis for distributing grant.

### **Impairment**

A reduction in the value of a non-current asset below the amount shown on the balance sheet.

### **Investment property**

Those assets held primarily to realise increases in their value and/or income (i.e. where rented to a third-party).

### **Leasing**

A method of financing capital expenditure where a rental charge is paid for a specified period of time. There are two main types of leasing arrangements:-

- (a) finance leases which transfer all of the risks and rewards of ownership of a non-current asset to the lessee and such assets are included within the non-current assets in the balance sheet.
- (b) operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the service revenue accounts.

### **Liquid resources**

Assets which can be realised within a very short period of time. For example cash held in an instant-access bank account is considered a liquid resource.

### **Minimum revenue provision**

The minimum amount that the OPCC/Group is statutorily required to set aside from revenue each year as a provision to meet credit liabilities. For the OPCC/Group this relates to a principal sum based on a prudent assessment of the useful life of the asset, which is used for the redemption of external debt.

### **Net book value**

The amount at which non-current assets are included in the balance sheet and being their historical cost or current value, less the cumulative amounts charged for depreciation, amortisation and any impairment losses.

### **Non-current assets**

Tangible and intangible assets that yield benefits to the OPCC/Group for a period of more than one year.

### **Non distributed costs**

This is where overheads are not charged or apportioned to activities within the service expenditure analysis in the Comprehensive Income and Expenditure Account.

### **Past service cost (pensions)**

Represents the increase in pension liabilities caused by decisions taken in the financial year concerning retirement benefits but whose financial effect is derived from pensionable service earned in earlier financial years.

### **Precept**

The levy by which the OPCC/Group obtains the income it requires from council tax.

### **Public Works Loan Board (PWLB)**

A government agency that provides borrowing to local authorities at preferential interest rates.

### **Receipts and payments**

Amounts actually paid or received in a given accounting period irrespective of the period for which they are due.

### **Unusable reserves**

These are reserves resulting from the interaction of legislation and proper accounting practices. These reserves are not resource backed and cannot be used for any other purpose.

### **Usable reserves**

These are held at the discretion of the OPCC/Group and are resource backed. Usable reserves may either be general (in the case of the general fund) or specific (in the case of the earmarked reserves).-