

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

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

2015/16

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Narrative Report by the Chief Finance Officer

The accounts for 2015/16 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (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 18.

Overview

The financial year 2015/16 was the third and final full year in office for Sir Clive Loader as Police and Crime Commissioner for Leicestershire. During the year, Sir Clive completed his final refresh of his Commissioning Framework, to achieve outcomes to support the delivery of his Police and Crime Plan which is valid until March 2017, unless reviewed earlier by the Police and Crime Commissioner who commenced in his role on the 12th May 2016, Lord Willy Bach.

During 2015/16 Sir Clive implemented specialist commissioning of services for victims of crime, where responsibility for that vital area of support had transferred from the Ministry of Justice on 1st April 2015, with responsibility for specific cope and recover services transferring earlier in 2014/15.

The budget (both revenue and capital) for 2016/17 was set by Sir Clive during the latter months of 2015/16 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 overwhelming support for Sir Clive's decision to raise the precept (local council tax) by 1.99% which was equivalent to a £3.58p per week increase for an average Band D property. This increase in the precept, together with the efficiencies generated by the force in meeting the financial challenges of the previous Comprehensive Spending Review (CSR), enabled investment of 38 police officers, a permanent increase of 28 Police Community Support Officers (PCSO's) and 35 Police Support Staff (a total of 101 additional staff) into new, emerging and increasing areas of demand facing Leicestershire Police.

In the 2016/17 Precept Report to the Police and Crime Panel, it was outlined that over the period of the Police and Crime Plan the Force had exceeded the financial challenge set by Sir Clive in that Plan under Strategic Priority 18: "with our staff and partners, transform the way we protect our communities and deliver over £20m in revenue savings by 2016".

Furthermore, Sir Clive Loader supported the Force whilst "Project Edison" changes to operational delivery continued to embed and supported the "Blueprint 2020" strategy to deliver further considerable savings in the period to 2019/20 which recognises the financial challenge remaining in the PCC's Medium Term Financial Strategy to achieve further savings estimated of up to £4.6m by 2019/20. Should Home Office Grant reduce by 1.3% rather than 1%, the shortfall would increase to £5.7m.

During the year, Sir Clive supported work by the Force with Nottinghamshire and Northamptonshire on the development of a proposed Strategic Alliance. In December 2015, a provisional Business Case was supported and in March 2016, an Interim Business Case supported to enable work on a full Business Case to be produced and considered by the three Police and Crime Commissioners and Chief Constables in June 2016. Following this meeting, it was agreed that closer tri-force collaboration at a local level is the preferred way forward for future working aimed at improving the service and reducing costs. It was agreed to concentrate on progressing a number of local collaborative programmes, including Enabling Services (HR, finance, IT, asset management, procurement, estates and other corporate services), Contact Management and Niche Optimisation which will allow dedicated resources to focus on these areas with scope for further talks with Derbyshire and Lincolnshire about future opportunities.

In 2015/16, 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 equated to an underspend of £0.2m, which when compared to a budget of over £168.6m equated to a variance of 0.1%.

The HMIC Value for Money profiles highlighted that the PCC continues to invest higher than the national average in respect of Commissioning. The total spend for 2015/16 equated to £3.47m and allowed Sir Clive and his team to facilitate initiatives connected with his Police & Crime Plan including:

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- Support to troubled-family programmes in Leicester, Leicestershire and Rutland.
- Implementation of the aforementioned Victim First support service for Victims of Leicester, Leicestershire and Rutland.
- Supporting Youth Mentoring Services in Leicester, Leicestershire and Rutland - working with those at risk of entering the Criminal Justice system
- Supporting Adult Mentoring Services with offenders
- Supporting local Community Safety Partnerships in Leicester, Leicestershire and Rutland

The PCC is required to issue a separate Annual Report which details the activities undertaken during the year and the progress towards the Police and Crime Plan priorities and in the foreword to his 2015/16 Annual Report, he advised: *".....We have seen substantial reductions in many areas of crime over the medium term, including overall reported crime, and in reports of antisocial behaviour. There has also been a drop of over 50% in the level of reoffending amongst our most prolific offenders – a success achieved with the help of some excellent partnership work. Indeed, working in partnership has become far stronger in areas such as public safety and the protection of vulnerable people, with the police increasingly linking up with other agencies. For my part, I have focussed my Commissioning Framework towards four themes: reducing offending and re-offending; supporting victims and witnesses; making communities and neighbourhoods safer; and, finally, protecting the vulnerable. Crucially, I have sought outcomes as opposed to services – a system focused on measuring results and achieving best benefit from taxpayers' money..."*

The 2015/16 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 medium term funding gap 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 and transformational change that Blueprint 2020 and the tri-force collaboration 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 2015/16 of £168.6m was set for the service as a whole. £164.3m was managed by the CC with the remaining £4.3m (net of a grant of £1.1m for supporting victims of crime) relating to the costs of the OPCC (£1.0m) and commissioning activities (£3.3m). The majority of the funding is provided by Government, with just 32% met via the Council Tax.

Revenue spending

As described above, the OPCC (Group) underspent its 2015/16 budget by £1.719m or 1.02%. This was attributable to:

The Office of the Chief Constable for Leicestershire - £2.232m underspend

- an underspend on police pay and allowances of £1.605m due to an increased number of leavers (particularly due to career breaks 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 £0.053m due to consultancy costs relating to Outcome-Based Budgeting and proposed Strategic Alliance work and costs associated with the Job Evaluation Scheme that had previously been planned to be funded from reserves but were contained within the overall Force underspend. This was offset by a lower than expected number of ill-health retirements and efficiency savings agreed by the Change Board.
- a net underspend of £2.397m on delegated activities as a result of savings from regional projects and local management decisions to reduce overall expenditure, in particular in carrying staff vacancies.
- a budgeted funding deficit of £1.717m

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The Office of the Police and Crime Commissioner for Leicestershire – a net £0.513m overspend

- an underspend of £0.003m on the costs of the Office of the Police and Crime Commissioner.
- a decision to utilise £0.516m of the force underspend (as detailed above) on planned commissioning expenditure in Leicestershire rather than to utilise reserves as originally intended.

The OPCC has used £1.5m of the uncommitted group revenue underspend as a revenue contribution to capital outlay. The remaining £0.219m has been transferred to the Budget Equalisation Reserve as a further contribution to bridging the estimated medium term funding gap of £4.6m in the period to 2020/21 and to fund future investments in the Change Programme and tri-force collaboration (as detailed above).

Reserves

The Police Fund (General Reserve) has been maintained at £6.0m. The closing balance on the Budget Equalisation Reserve is £10.2m and the total earmarked reserves are £22.3m (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 2015/16 Statement of Accounts has resulted in a pension liability of £1,750m compared to £1,850m in 2014/15. The decrease in the liability is primarily due to the actuarial gains arising from changes in the financial assumptions. The discount rate is based on corporate bond yields, these have risen during the year whereas in 2014/15 the rate reduced.

The police officer pension scheme liability is £1,687m 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.

Capital spending

£6.0m 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, 3rd party income and revenue contributions. As £1.5m of the revenue underspend has been utilised to fund the capital outlay the overall need to borrow reduced to £0.5m. This capital spending resulted in non-current asset additions of £5.9m 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 2015/16. 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 Oakham police station, the refurbishment of the New Parks building to create a new and up to date SARC facility, remodelling of existing office/work space to support agile working, enhancements to existing IT systems, alongside a significant investment in mobile technology to support new ways of working and a range of infrastructure developments to support both local and regional collaborative working.

During 2015/16 properties at Syston and Oakham were disposed of as part of the Force's overall estates strategy. These were replaced with a neighbourhood office and a more appropriately sized police station. Welford Road Police Station was held for sale at the 31st March 2016 and this disposal should be concluded during 2016/17.

Outlook for 2016/17 and Beyond

As has been the case for several years, the funding regime for the public sector continues to be challenging. However, the police service was protected from significant budget reductions in the Comprehensive Spending Review (CSR) 2015 and the 2016/17 grant settlement was significantly better than anticipated.

Against this background, the PCC set the 2016/17 net revenue and capital budgets of £172.2m (before the use of reserves) and £8.6m respectively. In line with the steer from Government to ensure that police

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spending is protected in real terms a precept of £183.58 for a Band D property was approved, an increase of 1.99% over the previous year.

The better than anticipated grant settlement and the savings realised by the Force has enabled reinvestment into a number of key operational areas for 2016/17 and future years (including an additional 28 Police Community Support Officers (PCSOs), 38 Police Officers and 35 Support Staff) as follows:

- Built into the baseline budget permanently, the additional 28 Police Community Support Officers (PCSOs) identified in the PCC's precept announcement in 2014/15 (and which are supported until March 2017 by an earmarked reserve) at an establishment level of 251. PCSOs will continue to be deployed by the Chief Constable to address areas of threat, risk and harm and be focussed towards core neighbourhood policing, prevention of significant harm and local safeguarding;
- Additional specialist resources to continue to build capacity, resilience and capability in the areas of Child sexual Exploitation (CSE), Child and Adult Abuse, Rape, Domestic Violence and Sexual Violence and Cybercrime;
- To build capacity and resilience and develop new ways of dealing more efficiently with complaints and investigations within the Professional Standards Department.
- One off investment into additional Automatic Number plate Recognition (ANPR) capabilities to support both mobile and covert operations.

Furthermore, building on the success of the work by partners on identifying joint partnership solutions in line with the Strategic Partnership Development Fund (SPDF), an additional £0.5m has been transferred to this fund to support proposals from the following priority areas:

- Partnership response to Cybercrime
- Partnership response to Counter Terrorism, Extremism and Radicalisation
- Further partnership responses to the Police and Crime Plan priority on Vulnerability, to include Drug and Alcohol misuse, Street Drinking and other areas to be identified by the Strategic Partnership Board (SFB).

Although indications were provided of the total Police Settlement for the CSR period, details of individual PCC revenue allocations have only been made available for 2016/17. The availability of only one year's figures does make medium term financial planning more uncertain. However, 2016/17 will see a continuation of the work underway with our colleagues in Nottinghamshire and Northamptonshire to prepare a detailed business case to form a tri-force collaboration across the 3 Force areas. The savings achievable from the tri-force collaboration and any local savings arrangements should be sufficient to close the projected funding gap of £4.6m (£5.7m if Home Office Grant is a 1.3% reduction rather than 1% as originally envisaged) in 2020/21.

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 2015/16. 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 31st March 2016. 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.

Narrative Report by the Chief Finance Officer

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).
- 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

Narrative Report by the Chief Finance Officer

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

Narrative Report

The purpose of the Narrative Report 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
19th September 2016

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 31st March 2016 has been prepared and was approved at the Joint Audit Risk Assurance Panel (JARAP) on 19th September 2016.

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 31st March 2016.



Helen King
Chief Finance Officer
19th September 2016

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. The 2014/15 comparative figures have been restated see Note 47 for further details.

2014/15 (Restated)				2015/16			
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure	
£000	£000	£000	Note	£000	£000	£000	
86,018	(3,093)	82,925		69,287	(2,779)	66,508	
13,509	(283)	13,226		13,099	(113)	12,986	
15,986	(1,075)	14,911		16,180	(2,074)	14,106	
7,156	(1,776)	5,380		7,306	(2,362)	4,944	
14,744	(3,547)	11,197		11,483	(2,193)	9,290	
14,182	(1,269)	12,913		13,944	(586)	13,358	
42,338	(3,370)	38,968		56,863	(2,575)	54,288	
5,335	(942)	4,393		4,714	(85)	4,629	
5,418	(3,557)	1,861		6,478	(3,941)	2,537	
1,115	-	1,115		1,110	-	1,110	
(804)	-	(804)	30	(635)	-	(635)	
204,997	(18,912)	186,085	Cost of services	2	199,829	(16,708)	183,121
-	(441)	(441)	Other operating expenditure	4	19	(217)	(198)
71,918	(137)	71,781	Financing and investment income & expenditure	5	59,205	(128)	59,077
-	(174,673)	(174,673)	Taxation & non-specific grant income	6	-	(170,410)	(170,410)
	(20,913)	(20,913)	Grant received from the Home Office in respect of the pension fund account	29	-	(29,340)	(29,340)
276,915	(215,076)	61,839	(Surplus) or deficit on provision of services		259,053	(216,803)	42,250
		(1,952)	(Surplus) / deficit on revaluation of non-current assets	32			417
		175,063	Actuarial (gains) / losses on pension assets/liabilities	29			(142,233)
		173,111	Other comprehensive income & expenditure				(141,816)
		234,950	Total comprehensive income & expenditure				(99,566)

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. The 2014/15 comparative figures have been restated see Note 47 for further details.

2014/15 (Restated)				2015/16		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£000	£000	£000	Note	£000	£000	£000
730	(262)	468		1,817	(687)	1,130
-	-	-		3	-	3
1,307	(11)	1,296		1,376	(23)	1,353
-	-	-		-	-	-
311	(312)	(1)		6	-	6
36	-	36		36	-	36
1,250	(617)	633		1,194	(375)	819
-	-	-		-	-	-
-	-	-		-	-	-
1,030	-	1,030		1,035	-	1,035
-	(8)	(8)	30	-	(7)	(7)
4,664	(1,210)	3,454		5,467	(1,092)	4,375
-	-	191,320		-	-	194,724
-	(441)	(441)	4	19	(217)	(198)
802	(137)	665	5	782	(128)	654
-	(174,673)	(174,673)	6	-	(170,410)	(170,410)
-	(20,913)	(20,913)	29	-	(29,340)	(29,340)
-	-	(588)		-	-	(195)
		(1,952)	32			417
		248	29			(475)
		(1,704)				(58)
		(2,292)				(253)

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 st March 2015 £000		Note	31 st March 2016 £000
	Non-current assets		
940	Intangible assets	13	1,725
60,549	Property, plant & equipment	14	59,900
506	Investment property		506
61,995			62,131
	Non-operational non-current assets		
1,858	Assets under construction	14/17	1,326
63,853			63,457
511	Long term debtors	18	726
64,364	Total long term assets		64,183
	Current assets		
317	Inventories		264
23,071	Short term debtors	18	18,406
753	Assets held for sale	16	378
1,893	Payments in advance		1,864
10	Short term investments		10
15,407	Cash & cash equivalents	19	12,732
41,451			33,654
	Current liabilities		
(17,429)	Short term creditors	21	(9,752)
(1,377)	Receipts in advance		(1,162)
(131)	Short term borrowing		(132)
(314)	Provisions	24	(403)
(3,250)	Accumulated absences	35	(3,465)
(22,501)			(14,914)
18,950	Net current assets		18,740
	Long term liabilities		
(12,399)	Long term borrowing	22	(12,399)
(1,795)	Deferred liabilities	20	(1,356)
(370)	Capital grants receipts in advance	12	(744)
(42)	Receipts in Advance		(94)
(1,849,529)	Liability related to defined benefit pension schemes	29	(1,749,585)
(1,864,135)			(1,764,178)
(1,780,821)	Net assets / (liabilities)		(1,681,255)
(28,940)	Usable reserves	25	(28,282)
1,809,761	Unusable reserves	26	1,709,537
1,780,821	Total reserves		1,681,255

Re-certification

The financial statements on pages 1 to 104 were issued on 30th June 2016 and the audited accounts were authorised for issue on 19th September 2016.

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 st March 2015 £000		Note	31 st March 2016 £000
	Non-current assets		
940	Intangible assets	13	1,725
60,549	Property, plant & equipment	14	59,900
506	Investment property		506
61,995			62,131
	Non-operational non-current assets		
1,858	Assets under construction	14/17	1,326
63,853			63,457
441	Long term debtors	18	669
64,294	Total long term assets		64,126
	Current assets		
317	Inventories		264
17,443	Short term debtors	18	18,075
753	Assets held for sale	16	378
1,891	Payments in advance		1,864
10	Short term investments		10
1,694	Inter – Group Debtor		-
15,407	Cash & cash equivalents	19	12,732
37,515			33,323
	Current liabilities		
(13,425)	Short term creditors	21	(5,962)
(1,375)	Receipts in advance		(1,162)
(131)	Short term borrowing		(132)
(314)	Provisions	24	(403)
-	Inter – Group Creditor		(3,402)
(30)	Accumulated absences	35	(22)
(15,275)			(11,083)
22,240	Net current assets		22,240
	Long term liabilities		
(12,399)	Long term borrowing	22	(12,399)
(1,795)	Deferred liabilities	20	(1,356)
(370)	Capital grants receipts in advance	12	(744)
(42)	Receipts in Advance		(94)
(730)	Liability related to defined benefit pension schemes	29	(322)
(15,336)			(14,915)
71,198	Net assets / (liabilities)		71,451
(28,940)	Usable reserves	25	(28,282)
(42,258)	Unusable reserves	26	(43,169)
(71,198)	Total reserves		(71,451)

Re-certification

The financial statements on pages 1 to 104 were issued on 30th June 2016 and the audited accounts were authorised for issue on 19th September 2016.

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.

	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
2015/16							
Note	28 £000	27 £000	£000	31 £000	25 £000	26 £000	£000
Balance as at 31st March 2015	(6,000)	(22,729)	-	(211)	(28,940)	1,809,761	1,780,821
Movement in reserves during 2015/16							
(Surplus) or deficit on the provision of services	42,250	-	-	-	42,250	-	42,250
Other comprehensive income & expenditure	(141,816)	-	-	-	(141,816)	-	(141,816)
Total comprehensive income & expenditure	(99,566)	-	-	-	(99,566)	-	(99,566)
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	100,013	-	-	211	100,224	(100,224)	-
Net (increase)/decrease before transfers to/(from) earmarked reserves	447	-	-	211	658	(100,224)	(99,566)
Transfers to/(from) earmarked reserves (note 27)	(447)	447	-	-	-	-	-
(Increase)/decrease in 2015/16	-	447	-	211	658	(100,224)	(99,566)
Balance as at 31st March 2016	(6,000)	(22,282)	-	-	(28,282)	1,709,537	1,681,255

Core financial statements

The 2014/15 comparative figures have been restated see Note 47 for further details.

2014/15	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
Balance as at 31st March 2014	(6,000)	(21,597)	-	(3)	(27,600)	1,573,471	1,545,871
Movement in reserves during 2014/15							
(Surplus) or deficit on the provision of services	61,839	-	-	-	61,839	-	61,839
Other comprehensive income & expenditure	173,111	-	-	-	173,111	-	173,111
Total comprehensive income & expenditure	234,950	-	-	-	234,950	-	234,950
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	(236,082)	-	-	(208)	(236,290)	236,290	-
Net (increase)/decrease before transfers to/(from) earmarked reserves	(1,132)	-	-	(208)	(1,340)	236,290	234,950
Transfers to/(from) earmarked reserves (note 27)	1,132	(1,132)	-	-	-	-	-
(Increase)/decrease in 2014/15	-	(1,132)	-	(208)	(1,340)	236,290	234,950
Balance as at 31st March 2015	(6,000)	(22,729)	-	(211)	(28,940)	1,809,761	1,780,821

Statement of Movement in Reserves (OPCC)

	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
2015/16	28	27		31	25	26	
Note	£000	£000	£000	£000	£000	£000	£000
Balance as at 31st March 2015	(6,000)	(22,729)	-	(211)	(28,940)	(42,258)	(71,198)
Movement in reserves during 2015/16							
(Surplus) or deficit on the provision of services	(195)	-	-	-	(195)	-	(195)
Other comprehensive income & expenditure	(58)	-	-	-	(58)	-	(58)
Total comprehensive income & expenditure	(253)	-	-	-	(253)	-	(253)
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	700	-	-	211	911	(911)	-
Net (increase)/decrease before transfers to/(from) earmarked reserves	447	-	-	211	658	(911)	(253)
Transfers to/(from) earmarked reserves (note 27)	(447)	447	-	-	-	-	-
(Increase)/decrease in 2015/16	-	447	-	211	658	(911)	(253)
Balance as at 31st March 2016	(6,000)	(22,282)	-	-	(28,282)	(43,169)	(71,451)

Core financial statements

The 2014/15 comparative figures have been restated see Note 47 for further details.

2014/15	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
Balance as at 31st March 2014	(6,000)	(21,597)	-	(3)	(27,600)	(41,306)	(68,906)
Movement in reserves during 2014/15							
(Surplus) or deficit on the provision of services	(588)	-	-	-	(588)	-	(588)
Other comprehensive income & expenditure	(1,704)	-	-	-	(1,704)	-	(1,704)
Total comprehensive income & expenditure	(2,292)	-	-	-	(2,292)	-	(2,292)
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	1,160	-	-	(208)	952	(952)	-
Net (increase)/decrease before transfers to/(from) earmarked reserves	(1,132)	-	-	(208)	(1,340)	(952)	(2,292)
Transfers to/(from) earmarked reserves (note 27)	1,132	(1,132)	-	-	-	-	-
(Increase)/decrease in 2014/15	-	(1,132)	-	(208)	(1,340)	(952)	(2,292)
Balance as at 31st March 2015	(6,000)	(22,729)	-	(211)	(28,940)	(42,258)	(71,198)

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.

2014/15 (Restated) £000		Note	2015/16 £000
61,839	Net (surplus) or deficit on the provision of services		42,250
(67,974)	Adjustments to <i>net (surplus) or deficit on the provision of services</i> for non-cash movements	36.1	(46,585)
2,694	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	2,666
(3,441)	Net cash flows from operating activities		(1,669)
3,491	Investing activities	37	3,905
439	Financing activities	38	439
489	Net (increase) or decrease in cash and cash equivalents		2,675
15,896	Cash and cash equivalents at the beginning of the reporting period		15,407
15,407	Cash and cash equivalents at the end of the reporting period	19	12,732

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.

2014/15 £000		Note	2015/16 £000
(588)	Net (surplus) or deficit on the provision of services		(195)
(5,547)	Adjustments to <i>net (surplus) or deficit on the provision of services</i> for non-cash movements	36.1	(4,140)
2,694	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	2,666
(3,441)	Net cash flows from operating activities		(1,669)
3,491	Investing activities	37	3,905
439	Financing activities	38	439
489	Net (increase) or decrease in cash and cash equivalents		2,675
15,896	Cash and cash equivalents at the beginning of the reporting period		15,407
15,407	Cash and cash equivalents at the end of the reporting period	19	12,732

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 22nd 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 usable reserves 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 actual 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.

Notes to the core financial statements

- 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 2015/16. 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.

2014/15 (Restated)			Guarantee to/from the PCC	2015/16		
OPCC £000	OCC £000	Group £000		OPCC £000	OCC £000	Group £000
2,315	(2,315)	-	Opening balance at 1st April	1,694	(1,694)	-
(191,320)	191,320	-	OPCC's resources consumed by the OCC	(194,724)	194,724	-
191,320	(191,320)	-	OPCC intra-group adjustment	194,724	(194,724)	-
(621)	621	-	Movement in the financial guarantee by the PCC to support the Chief Constable's working capital requirement	(5,096)	5,096	-
1,694	(1,694)	-	Closing balance at 31st March	(3,402)	3,402	-

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.

	Usable reserves					Capital grants & contributions unapplied	Total usable reserves	Movement in unreserves
	General fund balance	earmarked reserves	Capital receipts reserve	£000	£000			
GROUP								
2015/16								
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES)								
Charges for depreciation and impairment of non-current assets	(3,582)	-	-	-	-	(3,582)	3,582	
Revaluation (gains) / losses on property, plant and equipment	(1,062)	-	-	-	-	(1,062)	1,062	
Revaluation of current assets (assets held for sale)	(19)	-	-	-	-	(19)	19	
Movements in the market value of investment property	-	-	-	-	-	-	-	
Amortisation of intangible assets	(627)	-	-	-	-	(627)	627	
Capital grants & contributions applied	1,617	-	-	-	-	1,617	(1,617)	
Revenue expenditure funded from capital under statute	(102)	-	-	-	-	(102)	102	
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(966)	-	-	-	-	(966)	966	
Insertion of items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	1,533	-	-	-	-	1,533	(1,533)	
Capital expenditure charged against the general fund	2,627	-	-	-	-	2,627	(2,627)	
Adjustments primarily involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	73,835	-	-	-	-	73,835	(73,835)	
Employer's pensions contributions and direct payments to pensioners payable in the year	26,109	-	-	-	-	26,109	(26,109)	
Adjustments primarily involving the Collection Fund Adjustment Account								
Difference between council tax receipts on an accruals basis and on a cash received basis	233	-	-	-	-	233	(233)	
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital grants and contributions unapplied credited to the CIES	-	-	-	-	-	-	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	211	211	(211)	
Adjustments primarily involving the Revaluation Reserve								
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	(417)	-	-	-	-	(417)	417	
Adjustments primarily involving the Capital Receipts Reserve								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	1,049	-	(1,049)	-	-	-	-	
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,049	-	-	1,049	(1,049)	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-	
Adjustments primarily involving the Deferred Capital Receipts Reserve								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	
Adjustments primarily involving the Accumulated Absences Account								
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	(215)	-	-	-	-	(215)	215	
Total adjustments	100,013	-	-	-	211	100,224	(100,224)	

GROUP

2014/15

	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
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES)						
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
Insertion of items not debited or credited to the CIES						
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)
Adjustments primarily involving the Pensions Reserve						
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)
Adjustments primarily involving the Collection Fund Adjustment Account						
Difference between council tax receipts on an accruals basis and on a cash received basis	343	-	-	-	343	(343)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the CIES	208	-	-	(208)	-	-
Adjustments primarily involving the Revaluation Reserve						
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	1,952	-	-	-	1,952	(1,952)
Adjustments primarily involving the Capital Receipts Reserve						
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
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-
Adjustments primarily involving the Accumulated Absences Account						
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
Total adjustments	(236,082)	-	-	(208)	(236,290)	236,290

Notes to the core financial statements

	Usable reserves					Capital grants & contributions unapplied	Total usable reserves	Movement in unreserves
	General fund balance	earmarked reserves	Capital receipts reserve	£000	£000			
OPCC								
2015/16								
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES)								
Charges for depreciation and impairment of non-current assets	(3,582)	-	-	-	-	(3,582)	3,582	
Revaluation (gains) / losses on property, plant and equipment	(1,062)	-	-	-	-	(1,062)	1,062	
Revaluation of current assets (assets held for sale)	(19)	-	-	-	-	(19)	19	
Movements in the market value of investment property	-	-	-	-	-	-	-	
Amortisation of intangible assets	(627)	-	-	-	-	(627)	627	
Capital grants & contributions applied	1,617	-	-	-	-	1,617	(1,617)	
Revenue expenditure funded from capital under statute	(102)	-	-	-	-	(102)	102	
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(966)	-	-	-	-	(966)	966	
Insertion of items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	1,533	-	-	-	-	1,533	(1,533)	
Capital expenditure charged against the general fund	2,627	-	-	-	-	2,627	(2,627)	
Adjustments primarily involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	342	-	-	-	-	342	(342)	
Employer's pensions contributions and direct payments to pensioners payable in the year	66	-	-	-	-	66	(66)	
Adjustments primarily involving the Collection Fund Adjustment Account								
Difference between council tax receipts on an accruals basis and on a cash received basis	233	-	-	-	-	233	(233)	
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital grants and contributions unapplied credited to the CIES	-	-	-	-	-	-	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	211	211	(211)	
Adjustments primarily involving the Revaluation Reserve								
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	(417)	-	-	-	-	(417)	417	
Adjustments primarily involving the Capital Receipts Reserve								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	1,049	-	(1,049)	-	-	-	-	
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,049	-	-	1,049	(1,049)	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-	
Adjustments primarily involving the Deferred Capital Receipts Reserve								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	
Adjustments primarily involving the Accumulated Absences Account								
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	8	-	-	-	-	8	(8)	
Total adjustments	700	-	-	-	211	911	(911)	

	Usable reserves					Movement in unusable reserves £000
	General fund balance £000	Farmarked reserves £000	Capital receipts reserve £000	Capital grants & contributions unapplied £000	Total usable reserves £000	
OPCC						
2014/15						
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES)						
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
Insertion of items not debited or credited to the CIES						
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)
Adjustments primarily involving the Pensions Reserve						
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)
Adjustments primarily involving the Collection Fund Adjustment Account						
Difference between council tax receipts on an accruals basis and on a cash received basis	343	-	-	-	343	(343)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the CIES	208	-	-	(208)	-	-
Adjustments primarily involving the Revaluation Reserve						
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	1,952	-	-	-	1,952	(1,952)
Adjustments primarily involving the Capital Receipts Reserve						
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
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-
Adjustments primarily involving the Accumulated Absences Account						
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
Total adjustments	1,160	-	-	(208)	952	(952)

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.

2014/15 (Restated) Outturn £000		Note	2015/16 Outturn £000
102,643	Police officer pay and allowances		98,516
46,969	Police staff pay and allowances		47,352
3,676	Police pensions		3,576
12,913	IAS 19 Current Cost Adjustment (pensions)	30	13,767
1,312	Other employees expenses		763
5,050	Premises		4,788
2,969	Transport		3,004
14,642	Supplies and services		13,795
5,156	Agency and contracted services		3,989
1,103	The Office of the Police and Crime Commissioner		1,110
3,634	Commissioning Activities by the PCC		4,432
94	Revenue expenditure financed from capital resources (REFCUS)	14/33	102
3,824	Depreciation & amortisation charges	13/14	4,209
1,816	(Surplus) / deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	3	1,062
(804)	Non-distributed costs regarding pensions	30	(635)
204,997	Gross operating expenditure		199,830
(4,535)	Income from government grants	12	(5,011)
(7,449)	Income from fees and charges		(8,261)
(5,726)	Contributions from other local authorities		(2,352)
(1,202)	Commissioning grant		(1,085)
186,085	Cost of services		183,121
(441)	Other operating expenditure	4	(198)
71,781	Financing and investment income & expenditure	5	59,077
(174,673)	Taxation & non-specific grant income	6	(170,410)
(20,913)	Grant received from the Home Office in respect of the pension fund account	29	(29,340)
61,839	(Surplus) or deficit on provision of services		42,250
(1,952)	(Surplus) / deficit on revaluation of non-current assets	32	417
175,063	Actuarial (gains) / losses on pension assets/liabilities	30	(142,233)
173,111	Other comprehensive income & expenditure		(141,816)
234,950	Total comprehensive income & expenditure		(99,566)

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 2014/15 and 2015/16 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

OUTTURN REPORT - 2015/16

	Approved Budget £'000	Expenditure £'000	Commitments £'000	Expenditure (inc. Commitments) £'000	Year-end Variance £'000
LEICESTERSHIRE POLICE					
Local Policing					
24/7 Policing	727	747	-	747	20
Contact	8,970	8,704	52	8,756	(214)
Local Policing	2,016	1,758	51	1,809	(207)
Volunteer	335	391	-	391	56
Subtotal	12,048	11,600	103	11,703	(345)
Crime & Intelligence					
Crime & Intelligence	858	921	30	951	93
Criminal Justice	5,757	5,072	109	5,181	(576)
Force Intelligence Bureau	2,936	2,688	2	2,690	(246)
Forensic Services	2,853	2,885	-	2,885	32
IOM	-	-	-	-	-
Major Crime	771	718	-	718	(53)
MAPPA	-	-	-	-	-
Neighbourhood	3,231	3,212	19	3,231	-
Road Safety Unit	-	-	-	-	-
SARCs	-	-	-	-	-
Serious Crime	2,136	2,269	-	2,269	133
Special	271	222	-	222	(49)
Force Priority Team	102	84	-	84	(18)
Subtotal	18,915	18,071	160	18,231	(684)
Operations					
Operations	1,887	1,796	16	1,812	(75)
Operations (Leics)	655	643	-	643	(12)
Subtotal	2,542	2,439	16	2,455	(87)
Corporate Services					
Corporate	1,307	1,270	4	1,274	(33)
DBS	-	-	-	-	-
Professional Standards	1,267	1,216	51	1,267	-
Change	303	491	-	491	188
Subtotal	2,877	2,977	55	3,032	155
Comms & Engagement					
Comms &	862	816	23	839	(23)
Subtotal	862	816	23	839	(23)
Business Support					
Estate	1,688	1,673	15	1,688	-
Financ	1,132	1,121	11	1,132	-
HR	1,677	1,515	27	1,542	(135)
I	5,840	5,807	29	5,836	(4)
L&D	1,100	794	5	799	(301)
PASS	1,887	1,778	9	1,787	(100)
Transport Unit	1,027	1,056	-	1,056	29
Vehicle Recovery	40	(13)	-	(13)	(53)
Subtotal	14,391	13,731	96	13,827	(564)

Notes to the core financial statements

Regional					
Regional OHU	393	399	-	399	6
Regional CJ	259	33	-	33	(226)
Regional Collaboration Team	123	123	-	123	-
Regional EMOpSS Command	186	(140)	-	(140)	(326)
Regional Forensics	922	928	-	928	6
Regional HR Service Centre	639	675	-	675	36
Regional L&D	637	626	-	626	(11)
Regional Legal Services	296	290	-	290	(6)
Regional Major Crime	263	254	-	254	(9)
Regional TSU	511	446	-	446	(65)
EMSOU (Leics)	2,185	2,286	-	2,286	101
Niche Implementation	70	(285)	-	(285)	(355)
Subtotal	6,484	5,635	-	5,635	(849)
Corporate Budgets					
Central Items	7,094	6,995	711	7,706	612
Non-Mainstream Funding	-	-	-	-	-
PCSO	6,772	6,772	-	6,772	-
Pensions	4,135	3,576	-	3,576	(559)
Police Pay and Allowances	91,595	89,990	-	89,990	(1,605)
Subtotal	109,596	107,333	711	108,044	(1,552)
2014/15 Carry-Forwards	(1,427)	(1,427)	-	(1,427)	-
Funding Gap	(1,717)	-	-	-	1,717
TOTAL LEICESTERSHIRE POLICE	164,571	161,175	1,164	162,339	(2,232)

OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE					
OPCC	1,035	1,032	-	1,032	(3)
Commissioning	2,954	3,470	-	3,470	516
TOTAL OPCC	3,989	4,502	-	4,502	513

Revenue Contribution to Capital Outlay	1,500	-	1,500	1,500
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GRAND TOTAL	168,560	167,177	1,164	168,341	(219)
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Notes to the core financial statements

PRIOR YEAR OUTTURN REPORT - 2014/15					
	Revised Budget	Provisional Outturn	Year-End Commit- ments	Submitted Business Cases	Balance
	£000	£000	£000	£000	£000
DELEGATED BUDGETS					
Local Policing / 24-7 Policing / FIU	3,656	3,534	45	10	(67)
Crime & Intelligence					
Crime & Intelligence Command	761	795	62	-	96
Investigation Management Unit	172	173	-	-	1
Criminal Justice	6,137	5,735	124	-	(278)
Neighbourhood Investigations	824	710	1	-	(113)
Serious Crime	1,937	1,853	12	63	(9)
SARCs	-	-	-	-	-
MAPPA	-	-	-	-	-
Forensic Services	2,759	2,549	139	-	(71)
Force Intelligence Bureau	3,343	3,167	38	46	(92)
Regional Special Branch	238	222	2	18	4
Regional Major Crime (Leicestershire)	783	705	-	-	(78)
Sub Total	16,954	15,909	378	128	(540)
Operational Departments					
Contact Management Department	8,906	8,671	28	190	(17)
EMOpSS (Leicestershire)	2,492	2,449	25	-	(18)
Specials	147	137	4	-	(6)
Sub Total	11,545	11,257	57	190	(41)
Corporate Services Directorate					
Corporate Services	1,219	1,174	31	5	(9)
Change Team	176	176	-	-	-
Professional Standards	904	877	27	-	-
Sub Total	2,299	2,227	58	5	(9)
Corporate Comms & Engagement	762	733	-	29	-
Business Support Departments					
Human Resources	1,619	1,557	13	-	(49)
Learning & Development	1,219	1,004	20	-	(195)
Information Technology	5,672	5,611	29	-	(32)
Procurement & Support Services	1,961	1,864	18	15	(64)
Estates	1,647	1,566	80	-	(1)
Finance	1,037	1,024	13	-	-
Transport Unit	974	1,047	-	-	73
Sub Total	14,129	13,673	173	15	(268)
The Office of the PCC					
The Office of the PCC	1,031	1,010	-	-	(21)
OPCC Commissioning	3,502	3,502	-	-	-
Survey & Consultation	61	51	-	-	(10)
Subtotal	4,594	4,563	-	-	(31)
TOTAL DELEGATED	53,939	51,896	711	376	958
REGIONAL COLLABORATION					
EMSOU (Leicestershire Cash Contribution)	1,945	1,970	-	-	25
Regional Collaboration Command Team	183	185	-	-	2
Regional TSU (Cash Contribution)	515	503	-	-	(12)
Regional Major Crime (Regional SMT)	277	277	-	-	-
Regional Criminal Justice	59	52	-	-	(7)
Regional Forensic Services	982	796	186	-	-
Regional Occupational Health (Cash Contribution)	376	388	-	-	12
Regional Learning & Development (Cash Contribution)	655	655	-	-	-
Regional Legal Services	262	263	-	-	1
Regional HR Service Centre	582	627	-	-	45
Regional Operations (Cash Contribution)	185	134	-	-	(51)
TOTAL REGIONAL COLLABORATION	6,021	5,850	186	-	15
CORPORATE BUDGETS					
Central Items (Inflation & Financing etc)	7,284	8,298	905	-	1,919
Non Mainstream Funding	(171)	(171)	-	-	-
POCA	-	-	-	-	-
Police Community Support Officers	6,610	6,610	-	-	-
Police Pensions	3,431	3,676	-	-	245
Road Safety Unit	-	-	-	-	-
Vehicle Recovery Scheme	(30)	(65)	-	-	(35)
Police Pay, Allowances & Seconded Officers Income	95,977	93,887	-	-	(2,090)
ECU Forfeiture	-	-	-	-	-
Funding Gap	(454)	-	-	-	454
TOTAL CORPORATE	112,647	112,235	905	-	493
GRAND TOTAL	172,607	169,981	1,802	376	(448)

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

2014/15 £000		Note	2015/16 £000
169,981	Net expenditure per outturn report		167,177
-	Reverse transfer to the General Fund made in-year		-
169,981	Revised net expenditure		167,177
1,802	Carry-forward requests		1,164
376	Business cases		-
172,159	Net expenditure before transfer to budget equalisation reserve		168,341
448	Transfer to budget equalisation reserve		219
172,607	Net expenditure for year (management accounts)		168,560
(51,845)	Council tax income (cash basis)	36.3	(54,033)
(78,936)	Police grant	6	(74,651)
(41,278)	Non-domestic rates	6	(39,876)
(548)	Victims & Witnesses Grant		-
-	Movement on general fund balance (management accounts)		-
(1,132)	Reverse effect of transfer (to)/from earmarked reserves	27	447
236,082	Adjustments between accounting basis & funding basis under regulations	1	(100,013)
234,950	Total comprehensive income & expenditure (Group)		(99,566)

Notes to the core financial statements

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

2014/15 (Restated)		Note	2015/16
£000			£000
169,981	Net expenditure per outturn report (revised)		167,177
(548)	(Remove) Victims & Witness Grant		-
(756)	(Remove)/add items not charged to "Cost of Services" on the Comprehensive Income & Expenditure Statement		(2,835)
(4,038)	Remove revenue outturn for the OPCC		(4,559)
85	Recharged expenditure from the OPCC related to Corporate Management		75
94	Add revenue expenditure funded from capital under statute (REFCUS)	1	102
3,824	Add charges for depreciation and amortisation of non-current Assets	1	4,209
1,816	Add surplus or deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	1	1,062
(51)	Other Group Accounting adjustments		153
20,913	Transfer Home Office Pension Grant		29,340
191,320	Intra-group transfer between OPCC and OCC in respect of resources consumed		194,724

4. Other operating expenditure (Group & OPCC)

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

2014/15 Outturn £000		Note	2015/16 Outturn £000
(441)	(Gains)/losses on the disposal of non-current assets	13/14	(217)
-	(Gains)/losses on the revaluation of assets held for sale	16	19
(441)			(198)

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

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

2014/15 Outturn £000	Group	Note	2015/16 Outturn £000
771	Interest payable and similar charges		748
71,147	Pensions net interest cost	30	58,457
(116)	Interest receivable and similar income		(88)
(21)	Income and expenditure in relation to investment properties		(40)
-	Changes in the market value of investment properties	33	-
71,781			59,077

Notes to the core financial statements

2014/15 Outturn £000	OPCC	Note	2015/16 Outturn £000
771	Interest payable and similar charges		748
31	Pensions net interest cost	30	34
(116)	Interest receivable and similar income		(88)
(21)	Income and expenditure in relation to investment properties		(40)
-	Changes in the market value of investment properties	33	-
665			654

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

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

2014/15 Outturn £000		Note	2015/16 Outturn £000
(52,188)	Council tax income	9	(54,266)
(78,936)	Police grant	36.3	(74,651)
(41,278)	Non-domestic rates	36.3	(39,876)
(2,271)	Capital grants and contributions		(1,617)
(174,673)			(170,410)

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:

2015/16		Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
			£	£	£	£	£	£
The Office of the CC								
Chief Constable			142,743	326	4,540	5,430	30,404	183,443
Deputy Chief Constable 1 (until 26/07/15)			37,452	-	6,935	-	-	44,387
Deputy Chief Constable 2 (wef 26/07/15)			80,308	-	2,193	3,626	17,156	103,283
Assistant Chief Constable								
Senior Police Officer I (until 25/07/15)			31,539	-	1,032	129	6,667	39,367
Senior Police Officer J			101,371	-	3,423	5,027	21,592	131,413
Senior Police Officer K (from 02/11/15)	6		39,980	294	1,397	2,081	7,399	51,151
Finance Director								
Director of Human Resources		5	92,853	-	-	5,435	16,435	114,723
		5	94,404	-	-	5,494	16,710	116,608
Office of the PCC								
Chief Executive			95,997	-	-	5,027	16,992	118,016
Chief Financial Officer			82,578	-	-	5,027	14,616	102,221
			178,575	-	-	10,054	31,608	220,237
Group			799,225	620	19,520	37,276	147,971	1,004,612

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 2015/16

Note 5 - From the 1st January 2016 the Director of Resources and Director of HR posts were shared between Leicestershire (35.53%), Nottinghamshire (39.84%) and Northamptonshire (24.63%). Both Directors' are employed by Leicestershire and the total salary costs associated with the posts are included in the above table.

Note 6 – Senior Police Officer K (ACC rank) commenced in a new role from the 2nd November 2015 leading on regional collaboration on behalf of Leicestershire, Nottingham and Northamptonshire. The costs of the post are shared between the 3 Forces on the percentages shown in Note 5. The Senior Officer is employed by Leicestershire and the total salary costs associated with the post are included in the above table.

Notes to the core financial statements

2014/15		Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
			£	£	£	£	£	£
Office of CC								
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								
Senior Police Officer I			95,245	2,206	3,225	5,492	23,050	129,218
Senior Police Officer J			95,245	2,541	3,423	5,089	23,050	129,348
Finance Director			91,021	-	-	5,435	15,200	111,656
Director of Human Resources			92,539	-	-	5,494	15,454	113,487
Office of the PCC			631,976	10,985	18,148	27,002	110,956	799,067
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
			807,026	10,985	18,148	37,056	140,189	1,013,404
		Group						

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 foregone 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

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 £	2014/15 number of employees	2015/16 number of employees
50,000 to 54,999	6	6
55,000 to 59,999	2	4
60,000 to 64,999	6	1
65,000 to 69,999	1	5
70,000 to 74,999	2	2
75,000 to 79,999	-	-
80,000 to 84,999	5	3
85,000 to 89,999	2	5
90,000 to 94,999	-	-
95,000 to 99,999	-	-
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 above posts is a National position which is funded by the Home Office.
- 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, six of the police staff employees and four 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 £	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/15	2014/15	2015/16
£0 - £20,000	17	5	9	5	26	10	£195,817	£62,397
£20,001 - £40,000	1	1	2	-	3	1	£81,100	£25,472
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
total	18	6	11	5	29	11	£276,917	£87,869

The OPCC/Group terminated the contracts of a number of employees in 2015/16, incurring liabilities of £88k (£277k in 2014/15). The £88k is payable to staff from a number of departments as part of the ongoing savings strategy. Leicestershire Police is the lead employer for a number of regional teams. One of the Police Staff employees included in the table above worked as part of one of these teams and Leicestershire have therefore only met its share of the costs with the remainder being funded by the other regional Forces.

8. Jointly Controlled Operations (Group)

The 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 tables relate to Leicestershire's share only. Further details on the Group's collaborative units and partners is given in note 48 – accounting policy A23.

8.1 Comprehensive Income & Expenditure Statement Jointly Controlled Operations

2014/15 £000		2015/16 £000
1,290	Police pay & allowances	2,356
3,315	Police Staff pay & allowances	3,863
94	Other employees expenses	185
53	Premises	72
223	Transport	684
984	Supplies & services	1,156
45	Agency & contracted services	28
(717)	Income from Government Grants	(669)
(154)	Income from Fees & charges	(293)
(5,503)	Funding provided to the pooled budget	(7,714)
3	Revenue Expenditure Funded from Capital Resources	-
110	Depreciation & Amortisation	129
-	(Surplus) / Deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	136
(257)	Cost of Services	(67)
-	Gains / Losses on disposal of non-current assets	1
-	Gains / Losses on disposal of non-current assets held for sale	19
(313)	Capital Grants & Contributions	(84)
(570)	(Surplus) / Deficit on Provision of Services	(131)
(35)	(Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)	(12)
(605)	Total Comprehensive Income & Expenditure	(143)

8.2 Balance Sheet Jointly Controlled Operations

2014/15 £000		2015/16 £000
7	Intangible Fixed Assets	11
1,179	Land & Buildings	1,515
363	Vehicles & equipment	408
292	Assets Under Construction	35
1,841	Total Long Term Assets	1,969
260	Short-term Debtors	182
-	Assets held for sale	103
7	Payments in Advance	157
1,299	Cash & Cash Equivalents	1,237
1,566	Current Assets	1,679
(476)	Short-term Creditors	(523)
(23)	Receipts in Advance	(19)
(72)	Provision for Accumulated Absences	(127)
(571)	Current Liabilities	(669)
995	Net Current Liabilities	1,010
2,836	Net Assets	2,979
(860)	Earmarked Reserves	(1,036)
(208)	Capital Grant Unapplied	-
(1,068)	Usable Reserves	(1,036)
(1,746)	Capital Adjustment Account	(1,967)
(94)	Revaluation Reserve	(103)
72	Accumulated Absences Account	127
(1,768)	Unusable Reserves	(1,943)
(2,836)	Total Reserves	(2,979)

8.3 Movement in Reserves Jointly Controlled Operations

2014/15	2015/16				
Total all JCO Reserves		Total General Fund	Earmarked Reserves	Total Unusable Reserves	Total all JCO Reserves
£000		£000	£000	£000	£000
(2,231)	Balance Brought Forward	(62)	(1,006)	(1,768)	(2,836)
(570)	(Surplus) or deficit on the provision of services	(131)	-	-	(131)
(35)	Other comprehensive income & expenditure	(12)	-	-	(12)
(605)	Total comprehensive income & expenditure	(143)	-	-	(143)
	Adjustments between accounting basis & funding basis under regulations				
-	Depreciation / amortisation	(130)	-	130	-
-	Disposal of non-current assets	(3)	-	3	-
-	Revaluation of non-current assets	(136)	-	136	-
-	Revaluation of non-current assets held for sale	(19)	-	19	-
-	Capital grants / contributions applied to capital expenditure	84	208	(292)	-
	Revenue Expenditure Funded From Capital (REFCUS)	-	-	-	-
-	Charges for Employee Benefits	(55)	-	55	-
-	Capital grants / contributions unapplied credited / debited to CIES	-	-	-	-
	Insertion of items not debited or credited to the CIES				
-	Capital expenditure charged against the General Fund	214	-	(214)	-
-	Revaluation of non-current assets not charged to CIES	12	-	(12)	-
(605)	Net (increase)/decrease before transfers to/(from) earmarked reserves	(176)	208	(175)	(143)
-	Transfers to/(from) earmarked reserves	176	(176)	-	-
(605)	(Increase)/decrease in 2015/16	-	32	(175)	(143)
(2,836)	Balance at end of year	(62)	(974)	(1,943)	(2,979)

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 48 - accounting policy A23 for further details.

Notes to the core financial statements

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:

2014/15 £000	amounts are shown on an accruals basis	2015/16 £000
(5,318)	Blaby District Council	(5,585)
(9,188)	Charnwood Borough Council	(9,519)
(5,692)	Harborough District Council	(5,930)
(6,262)	Hinckley & Bosworth Borough Council	(6,533)
(11,824)	Leicester City Council	(12,353)
(3,117)	Melton Borough Council	(3,218)
(5,279)	North-West Leicestershire District Council	(5,508)
(2,981)	Oadby & Wigston Borough Council	(2,993)
(2,527)	Rutland County Council	(2,627)
(52,188)	Total	(54,266)

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 2015/16 the OPCC/Group incurred the following fees relating to external audit.

2014/15		Costs	2015/16	
OPCC £000	Group £000		OPCC £000	Group £000
39	57	External audit services	32	47
39	57	Total	32	47

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:

2014/15		2015/16				
Total		Property	Vehicles	Photo-copiers	Vending machines	Total
£000		£000	£000	£000	£000	£000
460	Payments recognised as an expense	298	21	139	25	483
	Minimum lease payments Payable:					
23	Not later than one year	17	9	0	1	27
251	Later than one year and not later than five years	4	12	500	47	563
4,618	Later than five years	4,346	0	0	0	4,346

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:

2014/15		2015/16
£000		£000
	Minimum lease receivables	
	Receivable:	
72	Not later than one year	14
20	Later than one year and not later than five years	0
1,236	Later than five years	1,705

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)

2014/15 £000		2015/16 £000
	Credited to services:	
(2,310)	Dedicated Security Grant	(2,349)
(790)	Special Operations	(841)
(264)	Innovation Grant	(563)
(240)	Proceeds of Crime Act	(364)
(717)	JCOs (EMSOU & FSS)	(668)
(214)	Others	(226)
(4,535)	Total	(5,011)

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:

2014/15 £000	<i>Capital grants receipts in advance</i>	2015/16 £000
(356)	s106 developer contributions	(744)
(14)	Peace Grant	-
(370)	Total	(744)

13. Intangible assets (Group & OPCC)

2014/15 £000	Software Licenses	2015/16 £000
	Balance at start of year	
7,447	Gross carrying amounts	5,705
(6,561)	Accumulated amortisation	(4,765)
886	Net carrying amount at start of year	940
471	Additions	148
(2,318)	Disposals	(429)
104	Transfers	1,311
(511)	Amortisation for the period	(627)
2,308	Amortisation on disposals	382
940	Net carrying amount at end of year	1,725
	Comprising:	
5,705	Gross carrying amounts	6,734
(4,765)	Accumulated amortisation	(5,009)
940		1,725

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 2016, the OPCC had not entered into any significant capital contracts for the delivery of intangible assets to be received in 2016/2017.

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 31st March 2014, this has been reviewed and updated where applicable as at the 31st March 2016. 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 £485k (31 March 2015 - £517k) – the remainder of the building structure being held at a net book value of £1.44m (31 March 2015 - £1.30m).

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

The Opening Balances for Vehicles and Equipment have been restated see Note 47 for further details

Notes to the core financial statements

	land and buildings	vehicles	equipment	total PPE	assets under construction
2015/16	£000	£000	£000	£000	£000
Cost or valuation	55,142	8,068	17,917	81,127	1,858
At 1 April 2015					
Additions	1,079	834	1,609	3,522	2,234
Revaluations / impairments recognised in the Revaluation Reserve	(881)	-	-	(881)	-
Revaluations / impairments recognised in the surplus/deficit on the provision of services	(1,222)	-	-	(1,222)	-
Disposals	-	(840)	(2,446)	(3,286)	-
Transfers	754	-	304	1,058	(2,766)
At 31 March 2016	54,872	8,062	17,384	80,318	1,326
Accumulated depreciation and impairment	(1,728)	(4,848)	(14,002)	(20,578)	-
At 1 April 2015					
Depreciation charge	(780)	(1,053)	(1,749)	(3,582)	-
Disposals	-	740	2,378	3,118	-
Adjustment due to revaluations – Depreciation written out to the Reval Reserve	464	-	-	464	-
Adjustment due to revaluations – Depreciation written out to the CI&E	160	-	-	160	-
Adjustment in respect of transfers	-	-	-	-	-
At 31 March 2016	(1,884)	(5,161)	(13,373)	(20,418)	-
Net book value					
at 31 March 2016	52,988	2,901	4,011	59,900	1,326
at 31 March 2015	53,414	3,220	3,915	60,549	1,858

Notes to the core financial statements

2014/15	land and buildings £000	vehicles £000	equipment £000	total PPE £000	assets under construction £000
Cost or valuation					
At 1 April 2014	50,262	7,706	17,765	75,733	3,263
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)
At 31 March 2015	55,142	8,074	17,911	81,127	1,858
Accumulated depreciation and impairment					
At 1 April 2014	(1,504)	(4,503)	(14,116)	(20,123)	-
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	-	-	-	-	-
At 31 March 2015	(1,728)	(4,848)	(14,002)	(20,578)	-
Net book value					
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

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 2016, the OPCC had entered into a number of contracts for the construction or enhancement of property, plant and equipment to be completed in 2016/2017 and future years. The amounts are;

- Estates - a total of £2.4m - No individual capital project is more than £1m
- IT – a total of £7.5m - £1m for Mobile Data/PC Replacement Refresh & £1m for the national replacement of Emergency Services Network (ESN)

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 48) for further information.

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

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

2014/15 £000		2015/16 £000
20,402	Opening capital financing requirement	22,794
	<i>Capital investment</i>	
4,270	Operational assets	3,772
3,100	Non-operational assets	2,234
	<i>Sources of finance</i>	
(629)	Capital receipts	(1,049)
(2,063)	Government grants & other contributions	(1,617)
-	Use of Government Grant Reserve	(211)
(1,014)	Revenue contribution	(2,627)
(1,272)	Revenue provision (incl. MRP)	(1,533)
22,794	Closing capital financing requirement	21,763
	Explanations of movements in year	
-	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)	(1,031)
2,392	Increase/(decrease) in capital financing requirement	(1,031)

The figure shown above for capital expenditure during 2015/16 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:

2014/15 £000		2015/16 £000
7,370	Capital expenditure for the year (as above)	6,006
(94)	Less: Revenue expenditure financed from capital resources under statute (REFCUS) in the year	(102)
7,276		5,904

Capital receipts of £1,049k 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)

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

As at 31st March 2015 Oakham and Syston were assets held for sale. Syston was successfully sold in July 2015 and Oakham in October 2015.

Assets held for sale as at 31st March 2016 consisted of Welford Road Police Station, Oakham (Small Office) and Themis House (EMSOU). Welford Road & Oakham both have sales agreed but are not yet finalised.

2014/15 £000		2015/16 £000
982	Balance at the start of the year	753
	Assets classified as held for sale:	
180	Property, plant & equipment	397
-	Intangible assets	-
-	Other assets/liabilities in disposal groups	-
-	Revaluation losses	(19)
-	Revaluation gains	-
-	Impairment losses	-
	Assets declassified as held for sale:	
(272)	Property, plant & equipment	-
-	Intangible assets	-
-	Other assets/liabilities in disposal groups	-
(137)	Assets sold	(753)
753	Balance at the end of the year	378

17. Assets under construction (Group & OPCC)

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

31 st March 2015 £000		31 st March 2016 £000
1,164	Intangible assets	174
531	Property	73
163	IT equipment	477
-	Vehicles	602
1,858		1,326

As at the 31st March the Group/OPCC had taken delivery of 26 vehicles these were not registered with the DVLA or commissioned for operational purposes and have therefore been presented as Assets under Construction.

18. Debtors (Group & OPCC)

31 st March 2015 £000	Group	31 st March 2016 £000
	Long-term debtors	
70	Car loans to employees	57
441	Sundry debtors	669
511		726
	Short-term debtors	
15,054	Central government bodies	11,679
6,271	Local authorities	5,817
1,703	Sundry debtors	860
45	Car loans to employees	53
(2)	Less: impairment allowance	(3)
23,071		18,406

At the balance sheet date, 17 car loans to employees were outstanding (2014/15 - 14). 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 support, payable within 1 year.

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

- £7,111k (as at 31st March 2015 - £5,296k) receivable from the Home Office in respect of the pensions fund top up grant for 15/16

Included within the Local authorities figures above are debtors in respect of the OPCC/Group's share of council tax collection fund debtors of £2,786k (as at 31st March 2015 - £2,453k).

31 st March 2015 £000	OPCC	31 st March 2016 £000
	Long-term debtors	
-	Car loans to employees	-
441	Sundry debtors	669
441		669
	Short-term debtors	
9,723	Central government bodies	11,645
6,263	Local authorities	5,793
1,459	Sundry debtors	640
-	Car loans to employees	-
(2)	Less: impairment allowance	(3)
17,443		18,075

19. Cash & cash equivalents (Group & OPCC)

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

31 st March 2015 £000		31 st March 2016 £000
7,327	Bank accounts & petty cash	3,301
11,003	Cash investments (less than three months maturity)	12,003
(2,923)	Adjustment for cash & cash equivalents held on behalf of joint arrangements	(2,572)
15,407	Total cash & cash equivalents	12,732

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 st March 2015 £000		31 st March 2015 £000
(1,795)	Leicestershire County Council	(1,356)

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 st March 2015 £000	Group	31 st March 2016 £000
	Short-term creditors	
(3,849)	Central government bodies	(2,938)
(2,659)	Local authorities	(3,371)
(1,071)	Capital creditors	(130)
(1,028)	Salary & overtime payments	(851)
(8,822)	Sundry creditors	(2,462)
(17,429)		(9,752)

Included within the local authorities figures above are creditors in respect of the OPCC/Group's share of council tax collection fund creditors of £1,295k (as at 31st March 2015 - £1,245k)

Notes to the core financial statements

31 st March 2015 £000	OPCC	31 st March 2016 £000
	Short-term creditors	
(855)	Central government bodies	(100)
(2,613)	Local authorities	(3,242)
(1,071)	Capital creditors	(130)
(64)	Salary & overtime payments	(28)
(8,822)	Sundry creditors	(2,462)
(13,425)		(5,962)

22. Long term borrowing (Group & OPCC)

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

31 st March 2015 £000	<i>Maturity</i>	31 st March 2016 £000
-	not more than 2 years	-
-	more than 2 years - not more than 5 years	(1,723)
(2,830)	more than 5 years - not more than 10 years	(2,282)
(8,069)	more than 10 years - not more than 15 years	(6,894)
(1,500)	More than 15 years	(1,500)
(12,399)		(12,399)

A significant proportion of the OPCC/Group's long-term borrowing – 67.70% 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 31st March 2016.

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.

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:

Notes to the core financial statements

31 st March 2015		Group / OPCC	31 st March 2016	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
		Financial liabilities		
(12,399)	(16,918)	PWLB - long term borrowing	(12,399)	(16,810)

24. Provisions (Group & OPCC)

	Balance at 1 April 2015 £000	additional provisions made £000	amount used £000	unused amount reversed £000	Balance at 31 March 2016 £000
Civil claims	(314)	(294)	48	157	(403)
Total	(314)	(294)	48	157	(403)

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 st March 2015 £000		Note	31 st March 2016 £000
(22,729)	Earmarked reserves	27	(22,282)
(211)	Capital grants and contributions unapplied	31	-
(6,000)	General fund	28	(6,000)
(28,940)	Total usable reserves		(28,282)

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 st March 2015 £000	Group	Note	31 st March 2016 £000
(39,178)	Capital adjustment account	33	(39,801)
(2,633)	Revaluation reserve	32	(2,272)
-	Deferred Capital Receipts Reserve		-
(1,207)	Collection fund adjustment account	34	(1,440)
1,849,529	Pension reserve	29	1,749,585
3,250	Accumulated absences account	35	3,465
1,809,761	Total unusable reserves		1,709,537

31 st March 2015 £000	OPCC	Note	31 st March 2016 £000
(39,178)	Capital adjustment account	33	(39,801)
(2,633)	Revaluation reserve	32	(2,272)
-	Deferred Capital Receipts Reserve		-
(1,207)	Collection fund adjustment account	34	(1,440)
730	Pension reserve	29	322
30	Accumulated absences account	35	22
(42,258)	Total unusable reserves		(43,169)

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.

Notes to the core financial statements

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

These reserves are earmarked for the specific purposes noted below:

Reserve name	Balance at 1 April 2014 £000	transfers out 2014/15 £000	transfers in 2014/15 £000	Balance at 31 March 2015 £000	transfers out 2015/16 £000	transfers in 2015/16 £000	Balance at 31 March 2016 £000
Capital expenditure	(374)	288	(297)	(383)	280	(233)	(336)
Budget equalisation	(11,813)	110	(448)	(12,151)	2,500	(583)	(10,234)
PCSOs	(2,678)	434	-	(2,244)	13	-	(2,231)
Proceeds of Crime Act	(870)	237	(29)	(662)	124	(8)	(546)
Carry-forwards (specific)	(2,186)	1,841	(2,218)	(2,563)	1,918	(1,164)	(1,809)
Civil claims	(457)	-	(235)	(692)	-	-	(692)
SARC	(231)	-	(203)	(434)	452	(200)	(182)
Fleet insurance	(184)	244	(160)	(100)	148	(188)	(140)
Equipment Replacement	-	-	-	-	-	(100)	(100)
DBS	(64)	-	(7)	(71)	-	-	(71)
Commissioning	(822)	-	(521)	(1,343)	-	(2,623)	(3,966)
Other	(26)	10	-	(16)	-	-	(16)
IOM Underspend	-	-	(138)	(138)	-	(50)	(188)
Subtotal : OPCC/Group (direct control)	(19,705)	3,164	(4,256)	(20,797)	5,435	(5,149)	(20,511)
Jointly Controlled Operations	(601)	131	(390)	(860)	325	(501)	(1,036)
Subtotal : OPCC/Group (incl. jointly controlled reserves)	(20,306)	3,295	(4,646)	(21,657)	5,760	(5,650)	(21,547)
Funds held on behalf of partners							
Operation Liberal	(113)	-	(22)	(135)	-	(3)	(138)
Regional collaboration	(964)	156	-	(808)	349	(138)	(597)
Regional Asset Recovery Team	(214)	85	-	(129)	129	-	-
Grand total : OPCC/Group (incl. reserves held on behalf of partners)	(21,597)	3,536	(4,668)	(22,729)	6,238	(5,791)	(22,282)
movement in the year			(1,132)		447		

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 an additional 28 PCSOs supported by the Police and Crime Commissioner in the 2015/16 Budget until 2017 when PCSOs will be fully baselined.

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 2016/17 and beyond.

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.

SARC (Sexual Abuse Referral Centre)

Funds set a side from budget underspends and partner contributions to support future projects. These funds were utilised during 2015/16 to develop the new SARC facility at the New Parks site.

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 and partnership working.

Integrated 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 Occupational Health Service
- HR Shared Service Centre
- Regional Forensic Shared Services
- East Midlands Legal Services Unit
- EMOpSS (East Midlands Operational Support Service)

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. It has been fully utilised during 2016/16

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.

2014/15 £000		2015/16 £000
(6,000)	At 1 st April	(6,000)
-	Movement in the year	-
(6,000)	At 31 st 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.

2014/15 (Restated) £000	Group	Note	2015/16 £000
1,612,123	Balance at 1 st April		1,849,529
175,063	Total remeasurements on pensions assets and liabilities (gains/losses)	30	(142,233)
88,980	Reversal of items relating to retirement benefits debited or credited to the <i>surplus/deficit on the provision of services</i> in the Comprehensive Income & Expenditure Statement		68,398
(26,637)	Employer's pensions contributions and direct payments to pensioners payable in the year	30	(26,109)
1,849,529	Balance at 31 st March		1,749,585

Notes to the core financial statements

2014/15 £000	OPCC	Note	2015/16 £000
439	Balance at 1st April		730
248	Total remeasurements on pensions assets and liabilities (gains/losses)	30	(475)
102	Reversal of items relating to retirement benefits debited or credited to the <i>surplus/deficit on the provision of services</i> in the Comprehensive Income & Expenditure Statement	30	133
(59)	Employer's pensions contributions and direct payments to pensioners payable in the year	30	(66)
-	Pension fund grant from the Home Office in respect of the police pension schemes		-
730	Balance at 31st March		322

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 1st 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.

from the 1st April 2015 The Police Pension Scheme 2015 (CARE) scheme was introduced (under the Public Pension Services Act 2013), and members who are not covered by protection or the transitional arrangements in the previous schemes now accrue pension entitlements based on their career-average rather than their final salary. Three schemes were in operation during 2015/16 as well as injury awards:

- the *1987 scheme* (Final Salary) which is based on a maximum pensionable service of 30 years (closed to new entrants on 31st March 2006)
- the *2006 scheme* (Final Salary) which is based on a maximum pensionable service of 35 years (closed to new entrants on the 31st March 2015)

Notes to the core financial statements

- the 2015 (CARE) scheme which was available to new entrants from the 1st April 2015 and is a Career Average Revalued Earnings (CARE) scheme there is no maximum period of service.

Employer contributions were paid at 21.3% during 2015/16 on all 3 police pension schemes.

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	
	2014/15	2014/15	2015/16	2015/16	2014/15	2015/16	2014/15	2015/16
	Group	OPCC (CIES)	Group	OPCC (CIES)	Group	Group	Group	Group
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of services:								
Current service cost	7,912	79	10,424	106	31,638	29,492	39,550	39,916
Past service cost	46	-	24	-	-	-	46	24
(Gain) / loss from settlements	(850)	(8)	(659)	(7)	-	-	(850)	(659)
	7,108	71	9,789	99	31,638	29,492	38,746	39,281
Other Operating Expenditure:								
Home Office grant	-	-	-	-	(20,913)	(29,340)	(20,913)	(29,340)
Financing & investment income/expenditure:								
Net Interest cost	3,076	31	3,330	34	68,071	55,127	71,147	58,457
Net charge to surplus / deficit on provision of services	10,184	102	13,119	133	78,796	55,279	88,980	68,398
Other comprehensive income & expenditure:								
Return on Plan Assets (excluding the amount included in the net interest expense)	(14,458)	(144)	3,756	38	-	-	(14,458)	3,756
Actuarial (gains)/losses on changes in demographic assumptions	-	-	-	-	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	40,484	404	(48,727)	(493)	273,346	(95,331)	313,830	(144,058)
Other (if applicable)	(1,125)	(12)	(1,931)	(20)	(123,184)	-	(124,309)	(1,931)
Net charge to total comprehensive income & expenditure	35,085	350	(33,783)	(342)	228,958	(40,052)	264,043	(73,835)
Statement of Movement in Reserves:								
Reversal of items not permitted to be charged to the general fund by statute	(35,085)	(350)	33,783	342	(228,958)	40,052	(264,043)	73,835
Employer Contributions	5,961	59	6,483	66	20,676	19,626	26,637	26,109
Net charge to general fund	5,961	59	6,483	66	20,676	19,626	26,637	26,109
Retirement benefits payable to pensioners	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Analysed as:								
Employers' contributions payable to schemes based on contrition rate	5,961	59	6,483	66	18,449	15,428	24,410	21,911
Employers' contributions payable to schemes – Cash Top-Up	-	-	-	-	-	1,928	-	1,928
Direct payments - Injury awards payable	-	-	-	-	2,227	2,270	2,227	2,270
Total	5,961	59	6,483	66	20,676	19,626	26,637	26,109

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	
	2014/15 Group	2014/15 OPCC (B/Sheet)	2015/16 Group	2015/16 OPCC (B/Sheet)	2014/15 Group	2015/16 Group	2014/15 Group	2015/16 Group
	£000	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(247,666)	(1,585)	(210,888)	(1,214)	(1,747,116)	(1,687,438)	(1,994,782)	(1,898,326)
Fair value of plan assets	145,253	855	148,741	892	-	-	145,253	148,741
Sub total	(102,413)	(730)	(62,147)	(322)	(1,747,116)	(1,687,438)	(1,849,529)	(1,749,585)
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-	-	-
Net liability arising from defined benefit obligation	(102,413)	(730)	(62,147)	(322)	(1,747,116)	(1,687,438)	(1,849,529)	(1,749,585)

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)	
	2014/15 Group	2014/15 OPCC	2015/16 Group	2015/16 OPCC	2014/15	2015/16
	£000	£000	£000	£000	£000	£000
Opening fair value of scheme assets	122,561	630	145,253	855	-	-
Interest Income	5,354	53	4,689	47	-	-
Remeasurement gain/(loss)						
The return on plan assets; excluding the amount included in the net interest expense	14,458	144	(3,756)	(38)	-	-
Other (if applicable)	-	-	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-	-	-
Contributions from employer	5,961	59	6,483	66	20,676	19,626
Employer Contributions (Top Up Grant)	-	-	-	-	20,913	29,340
Contributions from employees into the scheme	2,295	22	2,376	26	9,671	9,121
Benefits paid	(3,744)	(37)	(3,816)	(39)	(51,260)	(58,087)
Other (if applicable)	(1,632)	(16)	(2,488)	(25)	-	-
Closing fair value of scheme assets	145,253	855	148,741	892	-	-

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)	
	2014/15 Group	2014/15 OPCC	2015/16 Group	2015/16 OPCC	2014/15	2015/16
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(195,850)	(1,069)	(247,666)	(1,585)	(1,538,834)	(1,747,116)
Current Service Cost	(7,912)	(79)	(10,424)	(106)	(31,638)	(29,492)
Interest Cost	(8,430)	(84)	(8,019)	(81)	(68,071)	(55,127)
Contributions from scheme participants	(2,295)	(22)	(2,376)	(26)	(9,671)	(9,121)
Remeasurement (gains) and losses						
Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-	-	-
Actuarial gains/losses arising from changes in financial assumptions	(40,484)	(404)	48,727	493	(273,346)	95,331
Other (if applicable)	1,125	12	1,931	20	123,184	-
Past service cost (including curtailments)	(46)	-	(24)	-	-	-
Losses/(gains) on curtailment (where relevant)	-	-	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-	-	-
Benefits paid	3,744	37	3,816	39	51,260	58,087
Liabilities extinguished on settlements (where relevant)	2,482	24	3,147	32	-	-
Closing balance at 31 March	(247,666)	(1,585)	(210,888)	(1,214)	(1,747,116)	(1,687,438)

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

The liabilities show the underlying commitments that the OPCC/Group has in the long run to pay retirement benefits. The total liability of £1,750m 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 £1,681m. 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 1st April 2015 the employer's contribution rate increased to 17.7% (16.7% for 2014/15) and is due to rise to 18.7% in 2016/17. 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 1st April 2017.

The deficit on the LGPS scheme has reduced by £40m between March 2015 and March 2016.

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 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 2.9% will be retained by government, by reducing the 'Top-Up' grant payable.

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.

Notes to the core financial statements

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

Basis for Estimating Assets and Liabilities

	Local Gov't Scheme		Police Schemes	
	2014/15	2015/16	2014/15	2015/16
	Years	Years	Years	Years
Long term expected rate of return on assets in the scheme				
Equity investments	n/a	n/a	-	-
Bonds	n/a	n/a	-	-
Other	n/a	n/a	-	-
Mortality assumptions:				
Longevity at 65 (60 for police schemes) for current pensioners:				
- Men	22.2	22.2	28.1	28.2
- Women	24.3	24.3	30.6	30.8
Longevity at 65 (60 for police schemes) for future pensioners:				
- Men	24.2	24.2	30.6	30.7
- Women	26.6	26.6	33.1	33.2

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

	Local Gov't Scheme		Police Schemes	
	2014/15	2015/16	2014/15	2015/16
<ul style="list-style-type: none"> • rate of inflation (increase or decrease by 1%) • rate of increase in salaries (increase or decrease by 1%) • rate of increase in pensions (increase or decrease by 1%) • rate for discounting scheme liabilities (increase or decrease by 1%) 	3.4%	3.2%	2.0%	2.0%
	4.3%	3.2%	3.5%	3.5%*
	2.4%	2.2%	2.0%	2.0%
	3.2%	3.5%	3.2%	3.5%

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

2014/15 Group	2014/15 OPCC	Fair Value of Scheme Assets	2015/16 Group	2015/16 OPCC
£000	£000		£000	£000
1,456	9	Cash and cash equivalents	2,974	18
		<i>Equity instruments: by industry type</i>		
-	-	Consumer	-	-
-	-	Manufacturing	-	-
-	-	Energy and utilities	-	-
-	-	Financial institutions	-	-
-	-	Health and care	-	-
-	-	Information technology	-	-
4,507	27	Other	4,064	24
4,507	27	Sub total equity	4,064	24
		<i>Bonds: by sector</i>		
7,969	47	UK Government	7,853	47
5,973	35	Other	6,123	37
13,942	82	Sub total bonds	13,976	84
		<i>Property: by type</i>		
13,765	81	UK Property	15,148	91
-	-	Overseas Property	-	-
13,765	81	Sub total property	15,148	91
		<i>Private equity</i>		
5,511	32	All	5,710	34
5,511	32	Sub total private equity	5,710	34
		<i>Other investment funds</i>		
73,236	431	Equities	72,973	438
13,530	80	Bonds	16,007	96
6,303	37	Hedge Funds	6,750	40
6,102	36	Commodities	3,197	19
3,424	20	Infrastructure	3,884	23
2,665	15	Other	4,113	25
105,260	619	Sub total other investment funds	106,924	641
		<i>Derivatives</i>		
812	5	Forward foreign exchange contracts	(55)	-
145,253	855	Total assets	148,741	892

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.

2014/15 £000		2015/16 £000
1,888	Amounts receivable in the year	1,413
(1,680)	Amounts applied to finance new capital investment in the year	(1,624)
208	Total increase / (decrease) in the year	(211)
3	Balance brought forward at 1 st April	211
211	Balance carried forward at 31st March	-

32. Revaluation reserve (Group & OPCC)

The revaluation reserve contains the residual gains (since 1st 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.

2014/15 £000		2015/16 £000
	Movements in unrealised value of non-current assets	
(1,952)	Gains on upward revaluation of non-current assets	(39)
-	Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services	456
(1)	Transfer to capital adjustment account in respect of non-current asset depreciation (on a revaluation gain)	(56)
29	Transfer to capital adjustment account in respect of residual gains held at the point of disposal of a non-current asset	-
(1,924)	Total movement on reserve in the year	361
(709)	Opening balance at 1st April	(2,633)
(2,633)	Closing balance at 31st March	(2,272)

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.

2014/15	<i>(See note 1 for further details)</i>	2015/16
£000		£000
3,822	Depreciation/amortisation charge in year	4,209
1	Amounts transferred from revaluation reserve in respect of depreciation/amortisation	56
1,816	Transfer from Comprehensive Income & Expenditure Statement in respect of non-current asset revaluations	1,062
-	Revaluation on non-current assets held for sale	19
94	Revenue Expenditure funded from Capital under Statute (REFCUS)	102
(29)	Transfer from revaluation reserve in respect of residual gains held at the point of disposal of a non-current asset	-
233	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	966
5,937	Net amount written-out of the cost of non-current assets consumed in the year	6,414
(1,014)	Capital expenditure charged against the general fund	(2,627)
(629)	Use of the capital receipts reserve to finance new capital expenditure	(1,049)
(2,063)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(1,617)
-	Application of grants to capital financing from the capital grants unapplied account	(211)
(904)	Revenue provision (including MRP)	(1,000)
(368)	Voluntary revenue provision for capital financing	(533)
-	Movements in the market value of investment properties charged to the Comprehensive Income & Expenditure Statement	-
959	Total movement during the year	(623)
(40,137)	Opening balance at 1 st April	(39,178)
(39,178)	Closing balance at 31st March	(39,801)

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 2014/15 and 2015/16, 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 £1,440k at 31st March 2016 (2014/15 - credit balance of £1,207k).

2014/15 £000		2015/16 £000
864	Balance at 1st April	1,207
343	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	233
1,207	Balance at 31st March	1,440

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 31st March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

During 2015/16 Police Officer RDIL & TOIL increased from £1.50m to £1.84m. The increase has been caused by reductions in Officer numbers and operational priorities. Officers have also chosen to use annual leave in year rather than rest days resulting in a reduction of annual leave from £898k to £741k.

Police Staff RDIL & TOIL also increased in year from £195k to £235k. 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. Police Staff annual leave decreased in year from £494k to 420k.

In 2015/16 the Group entered into two new Jointly Controlled Operations (East Midlands Operational Support Services and East Midlands Criminal Justice Service). As a result the accrual for Leicestershire's share of Jointly Controlled Operations increased from £72k to £127k.

2014/15 £000	<i>Group</i>	2015/16 £000
(3,106)	Balance at 1st April	(3,250)
3,106	Reversal of opening accrual made at the end of the preceding year	3,250
(3,250)	Amounts accrued at the end of the current year	(3,465)
(144)	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	(215)
(3,250)	Balance at 31st March	(3,465)

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

Notes to the core financial statements

2014/15 £000	OPCC	2015/16 £000
(13)	Balance at 1st April	(30)
13	Reversal of opening accrual made at the end of the preceding year	30
(30)	Amounts accrued at the end of the current year	(22)
(17)	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	8
(30)	Balance at 31st March	(22)

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.

2014/15 OPCC £000	2014/15 (Restated) Group £000		Note	2015/16 OPCC £000	2015/16 Group £000
(3,313)	(3,313)	Depreciation		(3,582)	(3,582)
-	-	Impairment and downward valuations		(19)	(19)
(511)	(511)	Amortisation		(627)	(627)
16	16	Increase/(decrease) in impairment bad debts		-	-
(6,242)	(5,410)	Increase/(decrease) in creditors/RIA		1,586	6,899
6,647	5,815	Increase/(decrease) in debtors/PIA		834	(4,479)
(24)	(24)	Increase/(decrease) in inventories		(53)	(53)
(43)	(62,343)	Movement in pension liability		(67)	(42,289)
(233)	(233)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		(966)	(966)
(1,844)	(1,971)	Other non-cash items charged to the net surplus or deficit on the provision of services		(1,246)	(1,469)
(5,547)	(67,974)			(4,140)	(46,585)

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

2014/15 OPCC £000	2014/15 Group £000		2015/16 OPCC £000	2015/16 Group £000
-	-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-	-
631	631	Proceeds from the sale of PP&E, investment property and intangible assets.	1,049	1,049
2,063	2,063	Any other items for which the cash effects are investing or financing flows	1,617	1,617
2,694	2,694		2,666	2,666

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

2014/15 OPCC £000	2014/15 Group £000		2015/16 OPCC £000	2015/16 Group £000
(17)	154,593	Payments made in respect of employees, ill-health pensioners and injury awards	(41)	150,302
771	771	Interest paid	747	747
(51,845)	(51,845)	Council tax (Precept) income	(54,033)	(54,033)
(41,278)	(41,278)	National non-domestic rates income	(39,876)	(39,876)
(78,936)	(78,936)	Police grant income	(74,651)	(74,651)
(71)	(4,607)	Other grant income	1,110	(3,901)
(116)	(116)	Interest received	(93)	(93)

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 2016/17 on receipt of the outstanding pension grant - £7,111k (2014/15- £5,296k).

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

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

2014/15 OPCC £000	2014/15 Group £000		2015/16 OPCC £000	2015/16 Group £000
6,365	6,365	Capital payments in the year	6,945	6,945
(583)	(583)	Capital receipts received in the year	(1,049)	(1,049)
(47)	(47)	Deferred Capital Receipts	-	-
(2,244)	(2,244)	Capital grants & contributions received in the year	(1,991)	(1,991)
-	-	Net movement in short-term investments	-	-
3,491	3,491	Total Investing Activities cash flows	3,905	3,905

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:

2014/15 OPCC £000	2014/15 Group £000		2015/16 OPCC £000	2015/16 Group £000
-	-	Repayment of short/long term borrowing – PWLB	-	-
439	439	Repayment of deferred liabilities – Leicestershire County Council debt	439	439
439	439	Total Financing Activities cash flows	439	439

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

Events after the balance sheet date have been considered for inclusion in the accounts up to the authorised for issue date 19th September 2016.

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. There is likely to be an impact on our property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

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

The following standards were issued during 2015/16, but not adopted:

- Amendments to IAS 19 employee benefits
- Annual improvements to IFRSs 2010-2012 cycle
- Amendment to IFRS Joint Arrangements (accounting for Acquisitions of interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of depreciation and Amortisation)
- Annual Improvements to IFRSs 2012-2014 cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

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

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.

The Chief Constable of Leicestershire, along with other Chief Constables and the Home Office, currently has 36 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

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

In applying the accounting policies set out in Note 48, the OPCC/Group has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

In order to apply the group accounting requirements the relationship between the PCC and Chief Constable has been assessed. The PCC remains in control of all assets and reserves however it is judged that the Chief Constable has sufficient operational control over staff and delegated budgets that this expenditure and associated income is shown on the comprehensive Income and Expenditure Statement for the Chief Constable. Page 18 sets out in more detail the accounting treatment.

The PCC / CC for Leicestershire is involved in various joint arrangements with other Forces in the East Midlands which are detailed in Note 8. These arrangements are judged to be jointly controlled operations due to the joint management and decision making structure of the agreement. Leicestershire's OPCC's share of transactions and balances are consolidated into the financial statements in accordance with the CIPFA Code of Practice.

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 31st March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the core financial statements

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 £18k for every year that useful lives had to be reduced.
Property, plant and equipment	Where there is no market-based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value. 76% of the net book value of the OPCC's buildings is valued on this basis. The DRC values are reset each year using the 'instant build' approach using the latest available indices. External valuers' are engaged to undertake the valuation.	The indices used in the calculation can fluctuate year on year based on local market conditions. During 2015/16 the value of the 'specialised' buildings decreased by £1.8m.
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 2015/16, the OPCC's actuaries advised that the net pensions liability had decreased by £100m as a result of experience and updating of the assumptions.
Sensitivity of pension liabilities: Local Government Pension Scheme		
<i>Change in assumptions</i>		£000
0.5% decrease in real discount rate		27,425
1 year increase in member life expectancy		6,327
0.5% increase in salary increase rate		9,850
0.5% increase in the pension increase rate		17,114
Sensitivity of pension liabilities: Police Pension Schemes		
<i>Change in assumptions</i>		£000
0.1% increase in real discount rate		1,656,786
1 year increase in member life expectancy		1,720,739
0.1% increase in salary increase rate		1,696,601

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

None currently.

45. Impairment losses (Group & OPCC)

There were no impairment losses realised during either 2015/16 or 2014/15 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 3.83% of total income (2014/15 - 4.06%). 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 Constable 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 0.02% of the total debtors value (2014/15 - 0.01 %). 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. Re-Statement of Comparative Figures

In the 2014/15 Statement of Accounts:

- the 'Commissioning Activities by the PCC' were presented as a separate line in the 'Cost of Services' on the Group and OPCC's Comprehensive Income and Expenditure Statement. In this year's Statement of Accounts the commissioning expenditure has been included within the appropriate SERCOP line of expenditure.
- the 'Grant received from the Home Office in respect of the Pension Fund' was presented under 'Other Comprehensive Income' in the Group Comprehensive Income and Expenditure Statement. This is now shown as a credit between the 'Cost of Services' and '(Surplus) / Deficit on Provision of Services'
- the 'Grant received from the Home Office in respect of the Pension Fund' was presented as grant income in the Chief Constables Comprehensive Income and Expenditure Statement. In this year's Statement of Accounts the grant receivable has been included in the OPCC's accounts and the intra-group transfer increased to properly reflect the transfer of grant funding from the OPCC to the Chief Constable to fund the cost of police pensions.

In addition, OPCC's Movement in Reserves Statement and Cash Flow Statement have been restated to reflect the above changes.

In Note 14 – Property, Plant and Equipment £6k has been transferred between the opening balances for 'vehicles' and 'equipment' to reflect a previous mis-classification.

These changes have no overall impact on the General Fund Balance.

48. Accounting policies used by the Group & OPCC

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 2015, 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 2015/16 financial year and its position at the year-end of 31st March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* (the Code) and the *Service Reporting Code of Practice (SeRCOP)* published annually 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.

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.

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.

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:

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- 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

The PCC for Leicestershire has assessed its leases and the total value of potential finance leases are not significant, as no annual payments are made. Further detail is provided in Note 11.1

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

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 Usable Reserves

The OPCC/Group maintains usable 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 1st 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 6th 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

from the 1st April 2015 The Police Pension Scheme 2015 (CARE) scheme was introduced (under the Public Pension Services Act 2013), and members who are not covered by protection or the transitional arrangements in the previous schemes now accrue pension entitlements based on their career-average rather than their final salary. During 2015/16 The OPCC/Group participated in the following schemes:

- the *1987 scheme* (Final Salary) which is based on a maximum pensionable service of 30 years (closed to new entrants on 31st March 2006)
- the *2006 scheme* (Final Salary) which is based on a maximum pensionable service of 35 years (closed to new entrants on the 31st March 2015)
- the *2015 (CARE) scheme* which was available to new entrants from the 1st April 2015 and is a Career Average Revalued Earnings (CARE) scheme there is no maximum period of service.

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* (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 31st March and makes specific provision for those invoices where it is considered unlikely payment will be received.

A23 Jointly controlled operations

The OPCC/Group has an interest in eleven 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

Notes to the core financial statements

- 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 following 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 1st April 2014)
 - The additional partners are Leicestershire 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

The lead accounting body for the following jointly controlled operations is Lincolnshire Police:

- East Midlands Operational Support Service (EMOpSS)
- East Midlands Criminal Justice Service (EMCJS)
- The additional partners are Leicestershire Police, Northamptonshire Police and Nottinghamshire 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 31st March 2016. 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, EMTSU, EMFSS and EMLSU, 26.41% to EMCHRS-LDU, 51.34% to EMCHRS-HRSC and 29.41% to EMOpSS and EMCJS

During 2013/14, EMASU's former operational responsibilities transferred to the National Police Air Service (NPAS) hosted by West Yorkshire Police. The hangar/buildings did not transfer and are still held under the existing consortium agreement with costs being recharged to West Yorkshire Police. At 31st March 2016, 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 subject to revaluation at least every 5 years by the OPCC/Group’s specialist valuers. For the purposes of the next valuation the IFRS Fair Value market approach will be taken. Any change in the 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 an 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.

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 via the OPCC/Group
- 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:

2014/15 £000		2015/16 £000
(17,048)	Contributions receivable:	
(1,401)	OPCC/Group	
(9,671)	■ employer's contributions	(14,159)
	■ early retirements	(1,269)
(28,120)	■ officers' contributions	(9,121)
		(24,549)
(629)	Transfers in from other pension schemes	(596)
	Benefits payable:	
37,469	■ pensions	39,546
9,669	■ commutations and lump sum retirement benefits	9,465
1,805	■ ill-health commutations and lump sum retirement benefits	1,623
-	■ lump sum death benefits	84
-	■ Backdated lump sum and interest payments (see note 5)	5,219
48,944		55,937
	Payments to and on account of leavers:	
15	■ refund of contributions	34
704	■ transfers out to other police Forces	442
719		476
20,913	Net amount payable for the year	31,268
(20,913)	Additional funding Receivable from the Police Fund	(31,268)

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

31 March 2015 £000		31 March 2016 £000
10,801	Current assets Contributions due from the OPCC/Group	7,111
(5,505)	Current liabilities Unpaid pensions benefits	-
5,296		7,111

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 is 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 OCC through the Intra-Group funding. 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 48, 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

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office Office subject to the Government Actuary's Department triennial valuation. An actuarial valuation during 2014/15 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 2.9% will be retained by government, by reducing the 'Top-Up' grant payable. The employers' pension cash top-up is included within the 'additional funding receivable from the Police Fund'

Employee contribution rates range between 12.44% and 15.05% dependant on the police officer's salary.

Note 5

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 did not receive the amount of commuted lump sum they were entitled to under the scheme. Additional pension benefits of £5.2 million have been recognised in the Pension Fund reflecting the lump sum pension payments and interest paid to previously retired police officers as a result of the determination.

Introduction

In the financial year 2015/16, 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 embedding governance arrangements in the final full year of Sir Clive Loader's term as Police and Crime Commissioner to ensure that the previous sound record continues. 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. This statement explains how the PCC has complied with the Framework and also meets the requirements of the Accounts and Audit Regulations 2015 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 2015/16 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) which incorporated the revisions required for changes under Stage 2 transfer arrangements which took place on the 1/4/14. A review of the framework is currently underway and will be completed in 2016/17.

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.

Following a regional tendering exercise, Mazars replaced Baker Tilly as Internal Auditors for the Region with effect from the 1/4/15. Both Baker Tilly (until the production of their annual report in June 2015) and Mazars reviewed the

status of the PCC's and the CC's internal control arrangements. Furthermore, both auditors routinely report to and attend the JARAP to provide assurance on the adequacy and effectiveness of internal control. In addition, they attend management and JARAP agenda-setting meetings where appropriate 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, 2014/15 and 2015/16) 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 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.
- An Ethics, Integrity and Complaints Committee was fully established in 2015/16 and a protocol is currently underway to align the work of the JARAP and the Committee for optimum benefit moving forwards.

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.

The OPCC and OCC continued to invest in an Internal Audit programme in 2015/16 which continued to give assurance under the new arrangements for two corporation soles. The OPCC ensured specific audits on Governance, Partnerships, Risk Management and Key Financial controls 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. Additionally, the OPCC ensured targeted audits were undertaken at areas where further review and assurance were sought in areas such as firearms licensing, partnerships and seized and found property.

The JARAP 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, 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 Mazars Internal Audit annual report covered the period 1 April 2015 to 31 March 2016 and was reported to and considered by the JARAP in July 2016.

The Internal Audit opinions for both the Police and Crime Commissioner and the Chief Constable for 2015/16 were as follows:

“From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31 March 2016, we can provide the following opinions”:

“Our overall opinion is that adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisation’s objectives.”

The basis of Mazar’s opinion was as follows:

Corporate Governance – *“As part of our work this year, we undertook an audit of the controls and processes in place in respect of the Joint Code of Corporate Governance. The specific areas that formed part of this review included: the Corporate Governance Framework, policies and procedures, decision making framework, roles and responsibilities and performance monitoring. We provided a significant assurance opinion and concluded that risks in terms of the joint corporate Governance Framework were being managed effectively. The arrangements were clearly defined within the “Corporate Governance Framework” document.*

Risk Management – *“As part of the 2015/16 Internal Audit Plan, we undertook an audit of the controls and processes in place in respect of Risk Management. The specific areas that formed part of this review included: policies and procedures, risk registers, risk mitigation, reporting arrangements and follow up of previous recommendations. We provided a significant assurance opinion and concluded that overall risk management within the Force and OPCC is deemed effective, and, with the exception of a few housekeeping issues, controls processes tested are being consistently applied. It was evident throughout the audit that risk management is well embedded at a strategic level and responsible staff had the required knowledge, experience and expertise to ensure good systems of internal control.*

Internal Control – *“As illustrated by the gradings, we have noted that the OPCC and Leicestershire Police have a robust control environment. During the 2015/16 year, seven (64%) Internal Audit projects were rated “significant assurance”, whilst 91% of Internal Audit projects received “significant” or “satisfactory assurance.” During 2015/16, one Internal Audit project was rated “limited assurance” (9%) (Seized and Found Property).”*

Assurance Gradings	2015/16	
<i>Significant</i>	7	64%
<i>Satisfactory</i>	3	27%
<i>Limited</i>	1	9%
<i>NIL</i>	0	0
TOTAL	11	100%

In addition, of the four collaborative audits covering the East Midlands policing region, one was rated “significant assurance”, one was rated “satisfactory assurance” whilst in two instances they related to advisory work and no audit opinion was provided.”

External audit (PricewaterhouseCoopers – PWC) issued their Annual Audit Letter for 2014/15 in October 2015. That letter built on the report to those charged with governance considered by the JARAP on the 22 September 2015 and was intended to summarise the results of their 2014/15 audit.

It noted that:

- an unqualified audit opinion on the Statement of Accounts was issued by 30 September 2015;
- 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;
- due to late technical guidance issued on 14 September 2015 which confirmed the position of the NAO's technical view on the recent Pension Ombudsman's ruling on GAD vs Milne, Leicestershire has now accounted for this as an adjusting post balance sheet event and through a prior period adjustment to correct a material error in the financial statements of an understated net pension liability.
- The 'going concern' assumption is appropriate;
- we undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the National Audit Office. The Group were under the threshold of £350million set by the NAO and we submitted our assurance statement on 30 September 2015;
- 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 a draft annual report for 2015/16 which summarised the outcomes of their work and the areas reviewed to gain assurance and internal control.

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, in February 2016, it was reported that the Force had exceeded the savings plan identified within Strategic Priority 18 of the Police and Crime Plan and realised savings in excess of over £31m over the period to 31/3/16. The Comprehensive Spending Review (CSR) reduced the anticipated funding gap to 2019/20 to £4.6m from a previously anticipated £22.7m which has minimised the risk of reducing resources significantly affecting delivery and achievement of the Plan. Savings are still required and a new Police and Crime Plan will be in place by the 1/4/17 which will identify the resources required in its delivery. Additionally, work is underway through Blueprint 2020 and work on a tri-force collaboration with Nottinghamshire and Northamptonshire to identify and realise the savings required to address the funding gap.

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 latterly has included responsibilities for Victim, Witnesses and Restorative Justice Commissioning and referral services.

New legislation such as the Policing and Crime Bill and other legislation outlined in the Queen's speech may have an impact on the role and responsibilities of the PCC and the Force and processes are in place to identify potential impacts and how best to implement them if required.

The OPCC has continued 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. This will be reviewed in the light of the appointment of the new PCC as will efforts to proactively communicate with the public in general and with interest groups and individuals where appropriate

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, 2014/15 and 2015/16. This will be reviewed in conjunction with the Police and Crime Plan as it is developed in 2016/17.

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 and following a "proof of concept" exercise, work on collaboration assurance has taken place for all collaborations. This will be refined and developed further in 2016/17.

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. A criminal investigation took place, which has now concluded and resulted a criminal conviction. The Force 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 were briefed and an action plan 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 were implemented in the 2016/17 Regional budgets.

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

Seized and Found Property

During the year a potential local area of fraud and corruption was identified by the Force and work is underway to investigate this further. The Deputy Chief Constable has briefed the JARAP chair on the potential area and will continue to update him and key stakeholders regularly on its progress.

Following previous Internal Audits in this area and the regional potential area of fraud and corruption identified in the Governance Statement 2014/15, the OPCC and the force scheduled an Internal Audit of this area to identify what assurances were in place and work required to address any weaknesses or gaps in assurances. As highlighted in this Annual Governance Statement, the Internal Audit scheduled has identified that only limited assurance is available for this area and a number of recommendations have been highlighted for which a management response by the Force is currently in train.

Following these areas of concern, the PCC has requested a report from the Force to the Strategic Assurance Board in June 2016 on Seized and Found Property seeking assurance from the Force on what work is being undertaken to address the control weaknesses in this area.

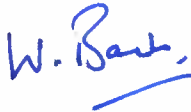
National Developments

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.



Lord Willy Bach
Police and Crime Commissioner

19th September 2016



Paul Stock
Chief Executive, OPCC

19th September 2016



Helen King
Chief Finance Officer, OPCC

19th September 2016



East Midlands Police Collaboration

Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION 2015/16

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 and 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.

During 2015/16 a criminal investigation took place into the theft of monies from Leicestershire Police premises. A member of Police Staff was charged with two counts of theft, and following a guilty plea, a four year custodial sentence was imposed.

The theft highlighted a number of internal control failures which resulted in a review of policies, processes and procedures to strengthen and improve the arrangements for the storage of cash and other assets. These included enhancements to the physical security of buildings including access controls, the upgrading of CCTV and Intruder Alarms, regular audits of cash held and safeguard improvements to ensure the prompt counting and banking of cash.

Throughout the process regional PCC's were briefed alongside their Statutory Officers including Internal and External Auditors.

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 EMPC'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 country and the region to improve performance as well as saving money.

Signed



Date 3/8/16.

Peter Goodman
Deputy Chief Constable (East Midlands)

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

Opinion on the Police and Crime Commissioner for Leicestershire financial statements

We have audited the financial statements of the Police and Crime Commissioner for Leicestershire for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- *Police and Crime Commissioner for Leicestershire and Group Movement in Reserves Statement;*
- *Police and Crime Commissioner for Leicestershire and Group Comprehensive Income and Expenditure Statement;*
- *Police and Crime Commissioner for Leicestershire and Group Balance Sheet;*
- *Police and Crime Commissioner for Leicestershire and Group Cash Flow Statement;*
- *Police and Crime Commissioner for Leicestershire Pension Fund Account Statements; and*
- *related notes.*

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Police and Crime Commissioner for Leicestershire in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for Leicestershire, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the *Statement of Responsibilities for the Accounts* set out on page 7, the *Chief Finance Officer* is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 Police and Crime Commissioner for Leicestershire 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. In addition, we read all the financial and non-financial information in the Annual Financial Report 2015/16 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Leicestershire and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Annual Financial Report 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

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

Police and Crime Commissioner's responsibilities

The Police and Crime 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.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the PCC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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 PCC had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, PCC put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Leicestershire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Stephen Clark

23 September 2016

*Stephen Clark (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Birmingham*

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 1st 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).-