

**The Office of the
Chief Constable
for Leicestershire (OCC)**

Annual Financial Report

2015/16

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Narrative Report by the Chief Finance Officer

These accounts set out the overall financial position of the Chief Constable (CC), who is responsible for the Leicestershire Police Service, for the year ended the 31st March 2016.

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 is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

The Social Responsibility Act 2011 introduced a new governance structure for way the police in England and Wales are governed and held accountable. The Act introduced the Office of the Police and Crime Commissioner (OPCC) and at the same time the CC was established as a separate body and made responsible for the Leicestershire Police Service.

The CC of Leicestershire is responsible for the delivery of policing service to the communities of Leicester, Leicestershire and Rutland and has direction and control over officers and staff operating with the Force. The CC holds office under the Crown and is appointed by the Police and Crime Commissioner (PCC).

The 2011 Act requires the PCC to hold the Chief Constable to account for the operational delivery of policing including the strategic policing requirement, thereby securing an efficient and effective police force for the electorate of Leicester, Leicestershire and Rutland.

These are the fourth statutory accounts to be prepared under the new arrangements. For accounting purposes the OPCC and the OCC together are known as the OPCC group. A separate set of statutory accounts has been published for the OPCC and the OPCC Group to recognise all the financial transactions incurred during 2015/16 on policing activities.

In order to gain a fuller picture of the financial performance of the public-facing police service for Leicester, Leicestershire and Rutland, it is recommended that this statement of accounts is read in conjunction with the statement of accounts for the OPCC/Group.

The financial report comprises two elements:

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

The Statement of Accounts

The purpose of the Statement of Accounts is to provide clear information to readers on how the OCC 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.

All of the assets, liabilities and reserves were transferred to the OPCC during the first phase of transition and have remained under the OPCC's control during 2015/16. The OPCC receives all income and funding and makes all payments for the Group from the OPCC Police Fund.

The second phase of transition took place on the 1st April 2014 when the employment of the majority of police staff transferred to the CC. This is explained in more detail in the introduction to the notes section of this document, beginning on page 14.

The OCC fulfils its statutory functions under the Act within an annual budget. This is set by the PCC in consultation with the CC. A Corporate Governance Framework is in place which sets out the respective responsibilities of the two bodies.

Other supporting statements are provided to help to explain the figures in the accounts. In addition, a glossary can be found at the back of this publication to help explain some of the technical terms.

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

Narrative Report by the Chief Finance Officer

The core financial statements:

Movement in Reserves Statement

This summarises the movements to and from the reserves for the year 2015/16. This shows the unusable reserves held by the Chief Constable.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards. It recognises the financial resources belonging to the OPCC consumed at the request of the OCC for the whole of the financial year.

Balance Sheet

The value at the end of the reporting period (i.e. 31st March) of the assets, liabilities and reserves of the OCC are shown on the balance sheet. The net assets of the OCC (assets less liabilities) are matched by the unusable reserves held by the OCC. These reserves are a product of the application of the Code and IFRS, it should be noted that the OCC does not hold usable reserves – they are all held by the OPCC/Group.

Cash flow statement

This statement shows the movement in cash and cash equivalents of the OCC during the reporting period. Whilst the OCC does not hold cash or cash equivalents on its balance sheet, it does have transactions within its comprehensive income and expenditure statement that require disclosure within the cashflow statement and supporting notes. The OCC reports a nil movement in cash and cash equivalents as a result.

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 OCC's activities.

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.

Non-audited supplementary documents

Narrative Report

The purpose of this 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 OCC'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 OCC 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.

Narrative Report by the Chief Finance Officer

Overview of 2015/16

As has been the case for several years, the funding regime for the public sector continued to be challenging. A flat rate cash reduction of 4.7% to was applied to the Police Grant. As in previous years the formula devised to allocate grant according to need was not fully implemented, with the result being that the service has lost grant to which it is otherwise entitled under full application of the formula.

For 2015/16 the Government announced again its commitment to freeze Council Tax at the 2014/15 levels. In order to ensure this, it offered to compensate authorities with a grant equivalent to a 1% precept increase in 2014/15.

The PCC declined the Council Tax freeze grant and the precept was increased by 1.99% to £180.00 for Band D property.

The OPCC sets the annual budget for the OCC in consultation with the CC. A net annual revenue budget of £168.6m was set for the service as a whole, after planning to make further efficiency savings during the year of £0.5m. £164.3m was managed by the CC with the remaining £4.3m relating to the costs of the OPCC (£1.0m) and commissioning activities (£3.3m).

The Force implemented a new policing model in February 2015 achieving significant savings during the financial year through a reduction in police officer numbers. However, the increase in precept allowed further investment in strategic priorities with partners in relation to victims, safeguarding, CSE, cyber-crime and mental health.

During the year, the Force worked 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 Chief Constables and Police and Crime Commissioners 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 service and reducing costs and 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.

Revenue spending

The Office of the Chief Constable for Leicestershire underspent its 2015/16 budget by £2.232m or 1.33%. This was attributable to:

- 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

As the resources are consumed by the OPCC at the request of the OCC the revenue underspend occurs in the OPCC/Group accounts. £1.5m of the uncommitted group revenue underspend was utilised as a revenue contribution to capital outlay. The remaining £0.219m after allowing for the OPCC's outturn 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 Proposed Strategic Alliance.

Narrative Report by the Chief Finance Officer

Performance

The PCC's primary role is to hold the Chief Constable to account. The Force operates a comprehensive performance framework to ensure that it is meeting its objectives and supporting the PCC in the delivery of the Police and Crime Plan. The table below demonstrates the Forces performance from 2012/13 to 2015/16.

Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	% change 2012-2016
Domestic Violence with Injury	1,583	1,759	1,830	1,555	-1.77%
Domestic Violence without Injury	2,303	2,432	2,462	3,508	52.32%
Total	3,886	4,191	4,292	5,063	30.29%
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	% change 2012-2016
Rape	250	367	437	496	98.40%
Other Serious Sexual Offences	492	510	622	655	33.13%
Total	742	877	1,059	1,151	55.12%
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	% change 2012-2016
Hate Crime	930	862	1,013	840	-9.68%
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	% change 2012-2016
Domestic Burglary	3,935	4,199	4,050	4,314	9.63%
Non-domestic Burglary	3,372	4,113	3,889	3,680	9.13%
Total	7,307	8,312	7,939	7,994	9.40%
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	% change 2012-2016
Theft from a Motor Vehicle	5,236	5,396	5,767	6,387	21.98%
Theft of a Motor Vehicle	1,051	1,114	1,347	1,433	36.35%
Total	6,287	6,510	7,114	7,820	24.38%
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	% change 2012-2016
All Crime	58,878	60,752	59,107	60,638	2.99%
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	% change 2012-2016
ASB	23,223	23,984	20,732	17,351	-25.29%
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	% change 2012-2016
Violence Against the Person (with injury)	4,365	5,052	4,884	4,221	-3.30%
Violence Against the Person (without injury)	5,736	5,759	5,961	8,141	41.93%
Total	10,101	10,811	10,845	12,362	22.38%

During 2015/16 all Forces were subject to a PEEL (Police Effectiveness Efficiency and Legitimacy) inspection by Her Majesty's Inspector of Constabularies. Three separate reports were issued and can be viewed on the HMIC website.

The overall judgements were:

- How effective is the force at keeping people safe and reducing crime? **GOOD**
- How efficient is the force at keeping people safe and reducing crime? **GOOD**
- How legitimate is the force at keeping people safe and reducing crime? **GOOD**

The judgments from the reports were:

Effectiveness - *"The force is committed to preventing crime and anti-social behaviour, investigations are of a good quality and the force works well at tackling serious and organised crime. However, in the important areas of protecting vulnerable people, the force needs to improve...."*

Narrative Report by the Chief Finance Officer

Efficiency – "...Leicestershire Police is well prepared to face its future financial challenges. It has balanced the budget and has a good track record of achieving savings. The force has recently introduced a new way of organising itself (its operating model) based on detailed analysis of demand. "

Legitimacy- " The chief officer team were fully committed to the need for an ethical and inclusive workforce. There were appropriate arrangements in place to support the wellbeing of officers and staff. There is a good understanding by local teams of their neighbourhoods and they engage positively with the public. Taser is used fairly and appropriately by officers who are well trained. "

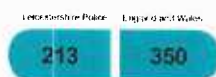
The PEEL inspection reports the following high level performance measures against National levels;

Force in numbers



Calls for assistance

Calls for assistance per 1,000 population 12 months to 31 March 2015



Crime

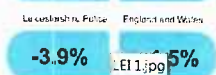
Crimes recorded (excluding fraud) per 1,000 population 12 months to 30 June 2015



Crimes recorded (excluding fraud) per 1,000 population 12 months to 30 June 2014



Changes in recorded crime (excluding fraud) 12 months to 30 June 2014 against 12 months to 30 June 2015

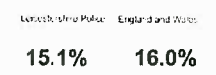


Changes in recorded crime (excluding fraud) 12 months to 30 June 2010 against 12 months to 30 June 2015



Charge rate

Charge rate as a percentage of all crimes recorded (excluding fraud) 12 months to 30 June 2015



Anti-social behaviour

Anti-social behaviour incidents per 1,000 population 12 months to 30 June 2015

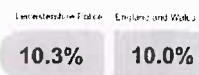


Anti-social behaviour incidents per 1,000 population 12 months to 30 June 2014

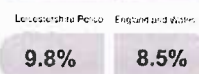


Domestic abuse

Domestic abuse as a percentage of all recorded crime (excluding fraud) 12 months to 31 March 2015



Domestic abuse as a percentage of all recorded crime (excluding fraud) 12 months to 31 March 2014



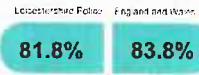
Organised crime groups

Organised crime groups per million population as at 30 June 2015



Victim satisfaction rate

Victim satisfaction rate 12 months to 31 March 2015



Reserves

The reserves of the Group are held by the OPCC and are available with agreement for the CC to utilise in the performance of his duties. The reserves and their purpose can be viewed in the OPCC Statement of Accounts.

Capital spending

The CC is not responsible for the acquisition, disposal and maintenance of assets. However the CC does make use of the assets in providing the policing service.

£6.0m was spent on improving the buildings stock, investing in information technology, operational equipment and the vehicle fleet. 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

Narrative Report by the Chief Finance Officer

Retirement Benefits

Accounting for Retirement Benefits in the 2015/16 Statement of Accounts has resulted in a pension liability of £1,749m compared to £1,849m 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 and 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 OCC has to pay retirement benefits. However, the statutory arrangements for the funding of the deficit mean that the financial position of the OCC remains stable.

Outlook for 2016/17

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 OPCC approved a net revenue of £166.8m for the OCC. (before the use of reserves)

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.

Although indications were provided of the total Police Settlement for the CSR period, details of individual PCC revenue allocations were 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 in 2020/21. Should Home Office Grant reduce by 1.3% rather than 1%, the shortfall would increase to £5.7m.



Paul Dawkins
Chief Finance Officer
19th September 2016

The Chief Constable's responsibilities

The CC 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 OCC, that officer is the Chief Finance Officer
- approve the statement of accounts

Chief Constable'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 Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the CFO, has:

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

The CFO 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 Office of the Chief Constable for Leicestershire at the reporting date and of its income and expenditure for the year ended 31st March 2016.



Paul Dawkins
Chief Finance Officer
19th September 2016

Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of the resources consumed by the OCC in delivering the policing plan for Leicestershire. It is prepared using generally accepted accounting practices, rather than the amount to be funded from taxation. The OPCC/Group raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The intra-group transfer shown below is cancelled out with the corresponding entry on the OPCC Comprehensive Income & Expenditure Statement when the Group accounts are consolidated.

2014/15 (Restated)				2015/16		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£000	£000	£000	Note	£000	£000	£000
85,288	(2,831)	82,457		67,470	(2,092)	65,378
13,509	(283)	13,226		13,096	(113)	12,983
14,679	(1,064)	13,615		14,804	(2,051)	12,753
7,156	(1,776)	5,380		7,306	(2,362)	4,944
14,433	(3,234)	11,199		11,477	(2,193)	9,284
14,146	(1,269)	12,877		13,908	(586)	13,322
41,088	(2,754)	38,334		55,669	(2,200)	53,469
5,335	(942)	4,393		4,714	(85)	4,629
5,418	(3,557)	1,861		6,478	(3,941)	2,537
85	-	85		75	-	75
(796)	-	(796)	15	(628)	-	(628)
200,341	(17,710)	182,631		194,369	(15,623)	178,746
-	-	(191,320)		-	-	(194,724)
71,116	-	71,116	4	58,423	-	58,423
-	-	62,427		-	-	42,445
		174,814	15			(141,758)
		174,814				(141,758)
		237,241				(99,313)

Balance Sheet

The Balance Sheet shows the value of the OCC's assets and liabilities at the balance sheet date. The net assets or liabilities (shown below) are matched by the OCC's reserves. Reserves are separated into *usable* (i.e. those amounts the OCC 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
70	Non-current assets Long term debtors	10	57
70	Total long term assets		57
5,628	Current assets Short term debtors	10	331
2	Payments in advance		-
-	Inter – Group Debtor		3,402
5,630			3,733
(4,004)	Current liabilities Short term creditors	11	(3,790)
(2)	Receipts in advance		-
(1,694)	Inter – Group Creditor		-
(3,220)	Accumulated absences	16	(3,443)
(8,920)			(7,233)
(3,290)	Net current assets / (liabilities)		(3,500)
(1,848,799)	Long term liabilities Liability related to defined benefit pension schemes	14	(1,749,263)
(1,848,799)			(1,749,263)
(1,852,019)	Net assets / (liabilities)		(1,752,706)
1,852,019	Unusable reserves	13	1,752,706
1,852,019	Total reserves		1,752,706

Re-certification

The financial statements on pages 1 to 62 were issued on 30th June 2016 and the audited accounts were authorised for issue on 19th September 2016.

Statement of Movement in Reserves

The OCC does not hold any usable reserves but does hold unusable reserves as a result of its application of both the Code and IFRS. Those transactions not balanced by the intra-group transfer with the OPCC/Group are represented below.

2015/16	General fund balance	Total usable reserves	Total unusable reserves	Total OCC reserves
Note	£000	£000	13 £000	£000
Balance as at 31st March 2015	-	-	1,852,019	1,852,019
Movement in reserves during 2015/16				
Surplus or (deficit) on the provision of services	42,445	42,445	-	42,445
Other comprehensive income & expenditure	(141,758)	(141,758)	-	(141,758)
Total comprehensive income & expenditure	(99,313)	(99,313)	-	(99,313)
Adjustments between accounting basis & funding basis under regulations	99,313	99,313	(99,313)	-
Net (increase)/decrease before transfers to/(from) earmarked reserves	-	-	(99,313)	(99,313)
Transfers to/(from) earmarked reserves	-	-	-	-
(Increase)/decrease in 2015/16	-	-	(99,313)	(99,313)
Balance as at 31st March 2016	-	-	1,752,706	1,752,706

	General fund balance	Total usable reserves	Total unusable reserves	Total OCC reserves
2014/15				
Note	£000	£000	13 £000	£000
Balance as at 31st March 2014	-	-	1,614,778	1,614,778
Movement in reserves during 2014/15				
(Surplus) or deficit on the provision of services	62,427	62,427	-	62,427
Other comprehensive income & expenditure	174,814	174,814	-	174,814
Total comprehensive income & expenditure	237,241	237,241	-	237,241
Adjustments between accounting basis & funding basis under regulations	(237,241)	(237,241)	237,241	-
Net (increase)/decrease before transfers to/(from) earmarked reserves	-	-	237,241	237,241
Transfers to/(from) earmarked reserves	-	-	-	-
(Increase)/decrease in 2014/15	-	-	237,241	237,241
Balance as at 31st March 2015	-	-	1,852,019	1,852,019

Cash Flow Statement

All cash balances are held by the OPCC on behalf of the Group. All resources that are consumed by the OCC are paid for by the OPCC and recharged using the intra-group transfer seen on the Comprehensive Income & Expenditure Statement. Certain transactions occur due to application of the Code and IFRS, they are reflected below.

2014/15 (Restated) £000		Note	2015/16 £000
62,427	Net (surplus) or deficit on the provision of services		42,445
(62,427)	Adjustments to <i>net (surplus) or deficit on the provision of services</i> for non-cash movements	17.1	(42,445)
-	Adjustments for items included in the <i>net (surplus) or deficit on the provision of services</i> that are investing and financing activities		-
-	Net cash flows from operating activities		-
-	Investing activities		-
-	Financing activities		-
-	Net (increase) or decrease in cash and cash equivalents		-
-	Cash and cash equivalents at the beginning of the reporting period		-
-	Cash and cash equivalents at the end of the reporting period		-

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

2015/16 Update

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, in simply, ‘the Group’) and the two bodies within that group as “Office of the Police & Crime Commissioner for Leicestershire” (OPCC) and “Office of the Chief Constable for Leicestershire” (OCC) respectively.

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

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

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

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

- The ‘Cost of Policing’ is charged to the OCC together with a credit for the corresponding income that was received by the PCC.
- All non-current assets remain on the OPCC’s balance sheet and all transactions related to those assets flow through the OPCC’s accounts
- All usable reserves remain on the OPCC’s balance sheet only the pension and accumulated absences reserves (both unusable) are included in the OCC’s accounts.
- 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 OPCC’s accounts and is transferred to the Chief Constable through the Intra-Group transfer.
- The share (in effect the majority) of the accrual for employee benefits at the balance sheet date (including annual leave, rest day and time-off in lieu) has been transferred to the Chief Constable in recognition of its inherent link to the employment of staff and the responsibility to bear costs.

Notes to the core financial statements

- All debtor and creditor accounts (i.e. PAYE or net pay accounts) that are directly attributable to the employment of either police officers or staff have been transferred in full to the Chief Constable's balance sheet.
- On each single entity balance sheet an entry has been made to reflect an intra-group account that balances working capital for the Chief Constable. This is in recognition of the fact that the Chief does not hold cash resources of his own and that any liabilities are paid by the PCC together with any cash receipts related to debtors.

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

The following table demonstrates the movement through the intra-group account within the Balance Sheets of the Group and its constituent bodies during 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)			Intra-Group Account	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 employment that exist.

1. Adjustments between accounting basis and funding basis under regulations

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

OCC 2015/16		General fund balance	Total usable reserves	Movement in unusable reserves
		£000	£000	£000
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES		73,493	73,493	(73,493)
Employer's pensions contributions and direct payments to pensioners payable in the year		26,043	26,043	(26,043)
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		(223)	(223)	223
Total adjustments		99,313	99,313	(99,313)

OCC 2014/15		General fund balance	Total usable reserves	Movement in unusable reserves
		£000	£000	£000
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES		263,693	263,693	(263,693)
Employer's pensions contributions and direct payments to pensioners payable in the year		(26,578)	(26,578)	26,578
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		126	126	(126)
Total adjustments		237,241	237,241	(237,241)

2. Subjective Analysis

This note provides an alternative breakdown of the OCC's *cost of services* using descriptions used in the OCC's internal management reporting. It is provided to allow the reader of these financial statements an opportunity to see what resources were consumed during the year in delivering the policing plan.

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 budget of the OCC. These items include: pension actuarial adjustments, revenue expenditure financed from capital resources and depreciation/amortisation. These items are included to ensure that the cost of the resources consumed is fully captured in accounting terms.

2014/15 Outturn £000		Note	2015/16 Outturn £000
102,643	Police officer pay and allowances		98,516
46,970	Police staff pay and allowances		47,405
3,676	Police pensions		3,576
12,893	IAS 19 Current Cost Adjustment (pensions)		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
5,248	Agency and contracted services		4,011
195,403	Total expenses		189,625

2014/15 £000	Grant Income	2015/16 £000
	Credited to services:	
(2,310)	Dedicated security grant	(2,349)
(790)	Special operations	(841)
(240)	Proceeds of Crime Act	(364)
(717)	JCOs (<i>EMSOU & FSS</i>)	(668)
(478)	Others	(789)
(4,535)	Total	(5,011)

The grant income identified above is received by the Police & Crime Commissioner but made available to the Chief Constable as part of the resources employed to deliver the Police & Crime Plan.

3. Amounts reported for resource allocation decisions

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
<u>LEICESTERSHIRE POLICE</u>					
<u>Local Policing</u>					
24/7 Policing	727	747	-	747	20
Contact Management	8,970	8,704	52	8,756	(214)
Local Policing	2,016	1,758	51	1,809	(207)
Volunteers	335	391	-	391	56
Subtotal	12,048	11,600	103	11,703	(345)
<u>Crime & Intelligence</u>					
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 Investigations	3,231	3,212	19	3,231	-
Road Safety Unit	-	-	-	-	-
SARCs	-	-	-	-	-
Serious Crime	2,136	2,269	-	2,269	133
Special Branch	271	222	-	222	(49)
Force Priority Team	102	84	-	84	(18)
Subtotal	18,915	18,071	160	18,231	(684)
<u>Operations</u>					
Operations (EMOpSS)	1,887	1,796	16	1,812	(75)
Operations (Leics)	655	643	-	643	(12)
Subtotal	2,542	2,439	16	2,455	(87)
<u>Corporate Services</u>					
Corporate Services	1,307	1,270	4	1,274	(33)
DBS	-	-	-	-	-
Professional Standards	1,267	1,216	51	1,267	-
Change Team	303	491	-	491	188
Subtotal	2,877	2,977	55	3,032	155
<u>Comms & Engagement</u>					
Comms & Engagement	862	816	23	839	(23)
Subtotal	862	816	23	839	(23)
<u>Business Support</u>					
Estates	1,688	1,673	15	1,688	-
Finance	1,132	1,121	11	1,132	-
HR	1,677	1,515	27	1,542	(135)
IT	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
GRAND TOTAL	168,560	167,177	1,164	168,341	(219)

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	956
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)

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		167,177
-	Reverse transfer to the General Fund made in year		-
(548)	Reverse Victims & Witnesses Grant		-
169,433	Revised net expenditure		167,177
(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)		102
3,824	Add charges for depreciation and amortisation of non-current assets		4,209
1,816	Add surplus or deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)		1,062
(51)	Other Group Accounting adjustments		153
20,913	Transfer of Pension grant to OCC		29,340
191,320	Intra-group transfer between OPCC and OCC in respect of resources consumed		194,724

4. Financing and investment income & expenditure

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

2014/15		Note	2015/16
Outturn £000			Outturn £000
71,116	Pensions net interest cost	15	58,423
71,116			58,423

5. Officers' remuneration

Senior officers and relevant police officers emoluments – (salary is between £50,000 and £150,000 per year)

2015/16	Note	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	5	92,853	-	-	5,435	16,435	114,723
Director of Human Resources	5	94,404	-	-	5,494	16,710	116,608
		620,650	620	19,520	27,222	116,363	784,375

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 table above.

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, Nottinghamshire 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 table above.

Notes to the core financial statements

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

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

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

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

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

Notes to the core financial statements

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

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:

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	2015/16	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

6. Jointly Controlled Operations

The OCC participates in eleven collaborative arrangements with Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. The police officers involved are seconded from the individual forces and all costs are borne in agreed proportions. Not all of the Collaborations include all 5 forces. The following table relates to Leicestershire's share only. Further details on the OCC's collaborative units and partners is given in note 26 – accounting policy A12.

6.1 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)

7. Related parties

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

Central government has significant control over the general operations of the OPCC and OCC (and therefore the Group). It is responsible for providing the statutory framework within which the OCC operates, and provides the majority of funding in the form of general or specific grants payable to the OPCC. The OPCC has effective control over the activities of the OCC in that the Police & Crime Commissioner sets the policing plan in consultation with the Chief Constable. The OPCC then provides resources to the OCC such that the requirements of that policing plan may be satisfied.

Senior officers of the OCC may be able to influence significantly the OCC's financial and operating policies although overall control is retained by the Police & Crime Commissioner and articulated within the Corporate Governance Framework. No material related party transactions have been identified following consultation with members and relevant officers.

Notes to the core financial statements

The OCC participates in eleven jointly controlled operations (JCO) with other neighbouring Forces. Further information can be seen within the accounting policies (note 26 section A12) and within the OPCC/Group accounts

In addition to the above, the OPCC also had transactions during the year with other local authorities and public bodies. The impact of many of these transactions is represented within the OCC's accounts via the intra-group transfer.

8. External audit costs

In 2015/16 the OCC incurred the following fees relating to external audit.

2014/15 £000		2015/16 £000
18	External audit services	15
18	Total	15

9. Leases

All leases (whether as lessee or lessor) are held in the name of the Police & Crime Commissioner and hence appear within the OPCC/Group financial statements for disclosure purposes.

Under the Corporate Governance Framework, the Police & Crime Commissioner grants the Chief Constable the use of the assets, equipment and resources (whether leased or otherwise) held by the OPCC in order that the requirements of the policing plan can be fulfilled. No financial consideration is made between both parties for the use of any assets, equipment or resources other than the intra-group recharge shown on the Comprehensive Income & Expenditure Account. A formal agreement is in place that grants the Chief Constable use of the assets and chattels of the Police & Crime Commissioner, a peppercorn rent of £1 is payable on demand for the usage.

The intra-group transfer made between the OPCC and the OCC includes the costs for the use and consumption of the resources of the OPCC. It therefore includes the costs of insuring, maintaining and repairing assets together with charges mirroring depreciation incurred by the OPCC due to the finite life of those assets.

10. Debtors

31 st March 2015 £000		31 st March 2016 £000
70	Long-term debtors	
	Car loans to employees	57
70		57
	Short-term debtors	
5,330	Central government bodies	34
9	Local authorities	24
244	Sundry debtors	220
45	Car loans to employees	53
5,628		331

Notes to the core financial statements

At the balance sheet date, 17 car loans to employees were outstanding (2014/15 - 16). 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.

11. Creditors

31 st March 2015 £000		31 st March 2016 £000
	Short-term creditors	
(2,994)	Central government bodies	(2,837)
(46)	Local authorities	(129)
-	Capital creditors	-
(964)	Salary & overtime payments	(824)
-	Sundry creditors	-
(4,004)		(3,790)

12. Financial Instruments

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).

The financial assets as disclosed in the balance sheet 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 the 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 carrying amounts and fair values of all financial assets and liabilities are therefore the same as those shown in the balance sheet.

13. Unusable reserves

The following reserves constitute *unusable reserves* as shown on the 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
1,848,799	Pension reserve	14	1,749,263
3,220	Accumulated absences account	16	3,443
1,852,019	Total unusable reserves		1,752,706

The OCC's unusable reserves are in deficit due in the main to the pension reserve. The pension reserve reflects the deficit on the OCC'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.

14. Pensions reserve

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 OCC 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 OCC 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 OCC 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 £000		Note	2014/15 £000
1,611,684	Balance at 1st April		1,848,799
174,815	Actuarial gains or losses on pensions assets and liabilities		(141,758)
88,878	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	30/1	68,265
(26,578)	Employer's pensions contributions and direct payments to pensioners payable in the year	1	(26,043)
-	Impact of intra-group split of pension liabilities		-
1,848,799	Balance at 31st March		1,749,263

Note 15 – Defined benefit pension schemes provides further analysis of the figures shown above together with an explanation for their existence.

15. Defined benefit pension schemes

This note reports on the main pension funds of the OCC. The OPCC is only responsible for a small share of the Local Government Pension Scheme (LGPS) with the remainder appearing in the OCC's Balance Sheet.

Participation in pension schemes

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

The OCC 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 OCC 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)
- 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 OCC 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 OCC 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 are as follows:

Notes to the core financial statements

	Local Government Pension Scheme		Police Pension Schemes		Comprehensive Income & Expenditure Account	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000	£000	£000
Cost of services:						
Current service cost	7,833	10,318	31,638	29,492	39,471	39,810
Past service cost	46	24	-	-	46	24
(Gain) / loss from settlements	(842)	(652)	-	-	(842)	(652)
	7,037	9,690	31,638	29,492	38,675	39,182
Other Operating Expenditure:						
Funding from OPCC	-	-	(20,913)	(29,340)	(20,913)	(29,340)
Financing & investment income/expenditure:						
Net Interest cost	3,045	3,296	68,071	55,127	71,116	58,423
Other						
Impact of intra-group split of pension liabilities	-	-	-	-	-	-
Net charge to surplus / deficit on provision of services	10,082	12,986	78,796	55,279	88,878	68,265
Other comprehensive income & expenditure:						
Return on Plan Assets (excluding the amount included in the net interest expense)	(14,314)	3,718	-	-	(14,314)	3,718
Actuarial (gains)/losses on changes in demographic assumptions	-	-	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	40,080	(48,234)	273,346	(95,331)	313,426	(143,565)
Impact of intra-group split of pension liabilities	1	-	-	-	1	-
Other (if applicable)	(1,114)	(1,911)	(123,184)	-	(124,298)	(1,911)
Net charge to total comprehensive income & expenditure	34,735	(33,441)	228,958	(40,052)	263,693	(73,493)
Statement of Movement in Reserves:						
Reversal of items not permitted to be charged to the general fund by statute	(34,735)	33,441	(228,958)	40,052	(263,693)	73,493
Employer Contributions	5,902	6,417	20,676	19,626	26,578	26,043
Net charge to general fund	5,902	6,417	20,676	19,626	26,578	26,043
Retirement benefits payable to pensioners	n/a	n/a	n/a	n/a	n/a	n/a
Analysed as:						
Employers' contributions payable to schemes	5,902	6,417	18,449	15,428	24,351	21,845
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	5,902	6,417	20,676	19,626	26,578	26,043

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		Balance Sheet	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(246,080)	(209,674)	(1,747,116)	(1,687,438)	(1,993,196)	(1,897,112)
Fair value of plan assets	144,397	147,849	-	-	144,397	147,849
Sub total	(101,683)	(61,825)	(1,747,116)	(1,687,438)	(1,848,799)	(1,749,263)
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-
Net liability arising from defined benefit obligation	(101,683)	(61,825)	(1,747,116)	(1,687,438)	(1,848,799)	(1,749,263)

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

	Local Government Pension Scheme		Police Pension Schemes	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Opening fair value of scheme assets	121,931	144,397	-	-
Interest Income	5,301	4,642	-	-
Remeasurement gain/(loss)				
The return on plan assets; excluding the amount included in the net interest expense	14,314	(3,718)	-	-
Other (if applicable)	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	5,902	6,417	20,676	19,626
Employer Contributions (Top Up Grant)	-	-	20,913	29,340
Contributions from employees into the scheme	2,272	2,351	9,671	9,121
Benefits paid	(3,707)	(3,777)	(51,260)	(58,087)
Other (if applicable)	(1,616)	(2,463)	-	-
Closing fair value of scheme assets	144,397	147,849	-	-

Notes to the core financial statements

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

	Local Government Pension Scheme		Police Pension Schemes	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Opening balance at 1 April	(194,781)	(246,080)	(1,538,834)	(1,747,116)
Current Service Cost	(7,833)	(10,318)	(31,638)	(29,492)
Interest Cost	(8,346)	(7,938)	(68,071)	(55,127)
Contributions from scheme participants	(2,272)	(2,351)	(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	(40,080)	48,234	(273,346)	95,331
• Other (if applicable)	1,114	1,911	123,184	-
Past service cost	(46)	(24)	-	-
Losses/(gains) on curtailment (where relevant)	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	3,707	3,777	51,260	58,087
Liabilities extinguished on settlements (where relevant)	2,457	3,115	-	-
Impact of intra-group split of liabilities	-	-	-	-
Closing balance at 31 March	(246,080)	(209,674)	(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 OCC has in the long run to pay retirement benefits. The total liability of £1,749m has a substantial impact on the net worth of the OCC as recorded in the balance sheet, resulting in a negative overall balance of £1,753m. However, the statutory arrangements for funding the deficit mean that the financial position of the OCC 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 has resulted in a reduction in the employers contribution rate from 24.2% to 21.3% from April 2015. However, the OCC 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 to the OPCC

Notes to the core financial statements

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

The Pension Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value as required by IAS 19 (and FRS 17 before it). The police schemes and the Local Government Pension Scheme liabilities have been valued by Mercer and Hymans Robertson respectively. Both are independent firms of actuaries.

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
• rate of inflation (increase or decrease by 1%)	3.2%	3.2%	2.0%	2.0%
• rate of increase in salaries (increase or decrease by 1%)	4.3%	3.2%	3.5%	3.5%
• rate of increase in pensions (increase or decrease by 1%)	2.4%	2.2%	2.0%	2.0%
• rate for discounting scheme liabilities (increase or decrease by 1%)	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 £000	Fair Value of Scheme Assets	2015/16 £000
1,447	Cash and cash equivalents	2,956
	<i>Equity instruments: by industry type</i>	
-	- Consumer	-
-	- Manufacturing	-
-	- Energy and utilities	-
-	- Financial institutions	-
-	- Health and care	-
-	- Information technology	-
4,480	Other	4,040
4,480	Sub total equity	4,040
	<i>Bonds: by sector</i>	
7,922	UK Government	7,806
5,938	Other	6,086
13,860	Sub total bonds	13,892
	<i>Property: by type</i>	
13,684	UK Property	15,057
-	Overseas Property	-
13,684	Sub total property	15,057
	<i>Private equity</i>	
5,479	All	5,676
5,479	Sub total private equity	5,676
	<i>Other investment funds</i>	
72,804	Equities	72,535
13,450	Bonds	15,911
6,266	Hedge Funds	6,710
6,066	Commodities	3,178
3,404	Infrastructure	3,861
2,650	Other	4,088
104,640	Sub total other investment funds	106,283
	<i>Derivatives</i>	
807	Forward foreign exchange contracts	(55)
144,397	Total assets	147,849

16. Accumulated absences account

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.

In 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. This was a result of an overall reduction in staff and operational staff choosing to take annual leave instead of accrued rest days.

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		2015/16 £000
(3,094)	Balance at 1 st April	(3,220)
3,094	Reversal of opening accrual made at the end of the preceding year	3,220
(3,220)	Amounts accrued at the end of the current year	(3,443)
(126)	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	(223)
(3,220)	Balance at 31 st March	(3,443)

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

17. Cash flow statement – operating activities

17.1 Adjustments to net (surplus) or deficit on the provision of services for non-cash movements.

2014/15 (Restated) OCC £000		Note	2015/16 OCC £000
-	Increase/(decrease) in impairment bad debts		-
212	Increase/(decrease) in creditors/RIA		216
(212)	Increase/(decrease) in debtors/PIA		(216)
-	Increase/(decrease) in inventories		-
(62,300)	Movement in pension liability		(42,222)
-	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		-
(127)	Other non-cash items charged to the net surplus or deficit on the provision of services		(223)
(62,427)			(42,445)

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

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

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

2014/15 OCC £000		2015/16 OCC £000
154,593	Payments made in respect of employees, ill-health pensioners and injury awards	150,343
-	Interest paid	-
-	Council tax (Precept) income	-
-	National non-domestic rates income	-
-	Revenue support grant income	-
-	Police grant income	-
(4,535)	Other grant income	(5,011)

There are additional items that take place between the OCC/Group and the pension fund account. Amounts are paid by the OCC/Group – on behalf of the fund – in advance of receipt of the Home Office pension grant. The result is that the OCC/Group has lent the fund the value of the Home Office debtor. This will be reversed in 2015/16 on receipt of the outstanding pension grant - £15,711k (2014/15- £838k).

18. Events after the balance sheet date

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 the valuation of defined benefit pension obligation. However, 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.

19. Accounting standards issued, not adopted

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 OCC is not expected to be material.

20. 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.

21. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 26, the OCC 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 has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the OPCC might be impaired as a result of a need to close facilities and reduce levels of service provision. The OCC would be directly affected by changes in funding for local government as it would potentially impair the resources available for use.

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 8 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 6. These arrangements are judged to be jointly controlled operations due to the joint management and decision making structure of the agreement. Leicestershire's OCC's share of transactions and balances are consolidated into the financial statements in accordance with the CIPFA Code of Practice.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the OCC/OPCC 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.

Some of the key areas that could be affected are covered within the OPCC/Group statement of accounts (note 43) and the OCC could potentially be affected by those sensitivities or movements via either the intra-group transfer from the OPCC or those costs directly charged to the OCC.

23. Material items of income and expense

None currently

24. Termination benefits (OCC)

The OCC terminated the contracts of a number of employees in 2015/16, incurring liabilities of £88k (£277k in 2014/15) – see Note 5 for the number of exit packages and total cost per band. The £88k is payable to staff from a number of departments as part of the ongoing savings strategy.

25. Nature and extent of risks arising from financial instruments (OCC)

The OCC's activities expose it to a variety of financial risks which are interlinked with those of the OPCC/Group:

- *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 on behalf of the OCC
- *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 Finance Officer for the OCC may authorise the write-off of unrecoverable amounts up to £10k. Amounts above £10k require the authorisation of the Chief Finance Officer for the OPCC.

To further mitigate the risk of customer credit default, the OPCC/Group makes a bad debt impairment each year. The impairment is equal to 0.02% of the total debtors value (2014/15 - 0.01 %). Further information concerning this impairment can be seen in Note 18 of the Group Accounts.

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 of the Group Accounts.

All standard creditors are due to be paid within one year – further information can be found in Note 11 – 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.

26. Accounting policies used by the Office of the Chief Constable for Leicestershire

A1 General principles

The Office of the Chief Constable (OCC) 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 OCC 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 2015/16* (SeRCOP) as published by CIPFA, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The OCC's accounting policies have been applied consistently over the current and comparative periods.

A2 Cost and intra-group income recognition

All external income is received by the OPCC, which holds the Police Fund and all related financial reserves and cash balances. The OPCC provides an annual budget to the OCC. All resources consumed at the request of the Chief Constable are funded by the OPCC, including the wages of police officers and staff, and no actual cash transactions take place between the two entities.

From an accounting perspective costs are recognised in the OCC accounts to reflect the financial resources consumed and economic benefit derived in the direction and control of day to day policing at the request of the Chief Constable. For example, an economic benefit is recognised to reflect the utilisation of OPCC owned fixed assets which mirrors depreciation of property, plant and equipment amortisation of intangible assets, impairments and revaluations.

Income is recognised in the Comprehensive Income and Expenditure Statement of the OCC accounts, to reflect the funding received from the OPCC.

In addition the OCC's accounts reflect the employment and post employment liabilities in accordance with IAS19 which states that liabilities relating to these benefits should follow the cost of employment. The OCC's Total Comprehensive Income and Expenditure reflects the movement in the OCC's unusable reserves as all other net expenditure is met by a transfer of resources from the OPCC and no usable reserves are held by the OCC.

A3 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:

- Intra-group income is recognised when it is probable that economic benefits or service potential associated with the transaction will flow to the OCC.
- Supplies are recorded as expenditure when it is probable that economic benefits or service potential associated with the transaction will flow to the OCC.
- 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.

A4 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 OCC's financial performance.

A5 Prior period adjustments, changes in accounting policies and estimates and errors

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

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

A6 Financial instruments

The OCC balance sheet contains financial assets & liabilities valued at amortised cost. Examples of these assets or liabilities include debtors and creditors. 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.

A7 Provisions & Contingent Liabilities

Provisions are made where an event has taken place that gives 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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement (CIES) in the year that the OCC 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.

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.

Under the Corporate Governance arrangements for the OPCC / OCC the revenue charge for provisions recognised on the OPCC balance sheet is recognised in the CIES of the OCC.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the OCC 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, if appropriate.

A8 Revenue Recognition / Income

Specific grants and contributions are included in the 'cost of services' of the CIES where the OPCC has provided additional resources to the OCC for specific operational activities. A similar approach is adopted for fees and charges.

A9 Employee benefits

Benefits payable during employment

The OCC 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 OCC'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 OCC 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 OCC is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 OCC 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. 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

Notes to the core financial statements

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 OCC.

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 OCC 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 OCC to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Police officers

The OCC participates in the following schemes:

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

Both 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 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, they are reversed out in the Movement in Reserves Statement.

Discretionary benefits

The OCC 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.

A10 Overheads and Support Services

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

- Corporate and democratic core
- Non distributed costs

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 OCC being aligned to one of eleven key headings:

- Local policing
- Dealing with the public
- Criminal justice arrangements
- Road policing
- Operational Support
- Intelligence
- Investigations
- Investigative support
- National policing
- Non distributed costs
- Corporate and democratic core

A11 Estimation techniques

The following estimation techniques have been used in the accounts:

Notes to the core financial statements

- 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.
- Civil claims provision – estimations of the OPCC/Group's potential liability to civil claims is provided by the appointed claims handlers.

A12 Jointly controlled operations

The OCC 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
- 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

Notes to the core financial statements

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 Comprehensive Income & Expenditure Statement to reflect the OCC's share of each jointly controlled operation's transactions during the year. Further details are shown in Note 6.

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

A13 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".

A14 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.

The fund receives income each year from:

- Employer's contributions from the OCC based on a percentage of pay
- Additional Funding from the OPCC (received from the Home Office)
- 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
	Contributions receivable:	
	OPCC	
(17,048)	■ employer's contributions	(14,159)
(1,401)	■ early retirements	(1,269)
-	■ reimbursement of unabated pensions of '30+' officers	-
(9,671)	■ officers' contributions	(9,121)
(28,120)		(26,477)
(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
-	■ GAD vs Milne payments	5,219
48,944		55,937
	Payments to and on account of leavers:	
15	■ refund of contributions	34
704	■ transfers out to other Forces	442
719		476
20,913	Net amount payable for the year	31,268
(20,913)	Additional contribution from the OPCC	(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	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 will be balanced to nil at the end of each financial year either by paying over any surplus to the Home Office or by receiving cash in the form of pension top-up grant from the Home Office to make up any deficit. The OPCC acts as intermediary where grant payment/receipt takes place – the grant is therefore shown on the OPCC's Comprehensive Income & Expenditure Statement but is transferred to the pension fund account 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 26 A9, 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 OCC's long-term pension obligations can be found in the notes to the OCC's core financial statements at note 15

Note 4

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office subject to the Government Actuary's Department triennial valuation. An actuarial valuation during 2014/15 resulted in a reduction in the employer's 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.

1) Scope of Responsibility

The Chief Constable (CC) of Leicestershire is responsible for the delivery of policing service to the communities of Leicester, Leicestershire and Rutland and has direction and control over officers and staff operating with the Force. The CC holds office under the Crown and is appointed by the Police and Crime Commissioner (PCC).

The CC is accountable in law for the exercise of policing powers and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the Force. In discharging his overall responsibilities, the CC is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of these functions.

The CC 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.

The CC has adopted the Corporate Governance Framework approved by the PCC, which is consistent with the principals 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 CC has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

The Chief Constable as a standalone corporation sole is legally required to produce an Annual Governance Statement. The statement assists the PCC in holding the CC to account for efficient and effective policing. The statement sits alongside the statutory accounts for the CC and gives assurance to the PCC of the CC's governance arrangements. The PCC produces their own statement.

2) The Purpose of the Governance Framework

The Corporate Governance Framework comprises the systems and processes, and culture and values, by which the CC is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the CC 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 CC'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 is currently being reviewed and will be completed during 2016/17.

3) The Governance Framework

The CC had previously put in place appropriate management and reporting arrangements to enable him to satisfy himself that his approach to corporate governance was both adequate and effective and supports the OPCC. These include:

- A Code of Corporate Governance;
- A risk management strategy;
- Responsibility given to the Director of Finance to oversee the implementation and monitoring of the operation of the Code and risk management strategy;
- Reviewing the operation of the Code and risk management strategy in practice;
- Ensuring that there is an effective internal audit function.

Following a regional tendering exercise, Mazars replaced Baker Tilly as Internal Auditors for the 5 forces in the East Midlands Region with effect from the 1/4/15. The internal auditors, have been given the responsibility to review independently the status of the PCC's & CC's internal control arrangements. Mazars routinely report to and attend the Joint Audit, Risk and Assurance Panel (JARAP) to provide assurance on the adequacy and effectiveness of internal control. Mazars also 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 detailed Force delivery plan which sets out how the CC intends to achieve the objectives contained within the PCC's Police and Crime Plan;
- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan;
- Comprehensive budget setting and management systems that seek to align resources against police and crime plan priorities;
- A Force Change Board which oversees the transformational change programme designed to deliver an affordable and sustainable medium term financial position;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action;
- A Force Strategic Organisational Risk Board which is responsible for the identification of strategic risks, the development of risk mitigation strategies and ongoing monitoring;
- Engagement in value for money benchmarking such as is conducted by Her Majesty's Inspectorate of Constabulary (HMIC);
- 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;
- 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;
- Codes of conduct and standards of behaviour policies for both police officers and staff;
- Determining the conditions of employment and remuneration of police officers and staff, within appropriate national frameworks;
- Governance arrangements with Partners which oversee key areas of strategic partnership working such as the Strategic Partnership Board, chaired by the PCC with the CC and other key stakeholders in attendance;
- 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.

Chief Finance Officer

The CC formally appointed a professionally qualified Chief Financial Officer (CFO) for the Force with the effect from 22nd November 2012. Under the Police Reform and Social Responsibility Act 2011 the OCC CFO has a personal fiduciary duty by virtue of their appointment as the person responsible for the financial administration of the OCC. This includes requirements and formal powers to safeguard lawfulness and propriety of expenditure (Section 114 of the Local Government Act 1988 as amended by paragraph 188 of Schedule 16 to the Police Reform and Social Responsibility Act 2011).

The OCC complies with the CIPFA statement on the Role of the Chief Financial Officer in the Public Sector, the key principles and requirements which are summarised below.

The Chief Financial Officer in a public service organisation:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Force's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Force's financial strategy; and
- must lead the promotion and delivery by the whole Force of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

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 and considers the work of internal and external audit, the in house internal audit team, tracking of internal audit recommendations, risks and risk management, the Corporate Governance Framework and specific themes. In addition, the JARAP 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 will be reported to and considered by the JARAP in July 2016.

The internal audit opinion for 2015/16 was 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.*

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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	
Significant	7	64%
Satisfactory	3	27%
Limited	1	9%
NIL	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 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. The Comprehensive Spending Review (CSR) was far better than expected with the Police being protected from significant cuts. This has reduced the anticipated funding gap to £4.6m in 2019/20. Savings are still required and it is anticipated that a new Police and Crime Plan will be in place by the 1/4/17 which will identify the resources required in its delivery.

Work is underway through Blueprint 2020 and a tri-force collaboration with Nottinghamshire and Northamptonshire to identify and realise the savings required to address the funding gap.

A review of the national funding formula commenced during 2015/16 but is currently on hold due to the unpredictable distributional impacts of the proposed new formula. Any changes to the funding formula remains a risk to the Force if the amount of funding receivable is reduced and therefore its ability to address the Plan objectives and targets.

Partnerships and 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 & 2015/16.

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 have been implemented in the 2016/17 Regional budgets.

Work has 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.

Annual governance statement

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.



Simon Cole
Chief Constable
19th September 2016



Paul Dawkins
Chief Finance Officer
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 EMPCC's Board provides a forum for all members of collaboration to feedback their experiences of the partnership work. All forces can discuss governance, performance and financial issues at the quarterly meetings. The collaboration builds on best practice from across the 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 Chief Constable of Leicestershire (the "Chief Constable")

Opinion on the Chief Constable for Leicestershire financial statements

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

- Chief Constable of Leicestershire Movement in Reserves Statement;
- Chief Constable of Leicestershire Comprehensive Income and Expenditure Statement;
- Chief Constable of Leicestershire Balance Sheet;
- Chief Constable of Leicestershire Cash Flow Statement;
- Pension Fund Account
- and the 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 Chief Constable of 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 Chief Constable of 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 Chief Constable of Leicestershire 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 Chief Constable of Leicestershire 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 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 Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources

Chief Constable's responsibilities

The Chief Constable 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 Authority 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 Chief Constable 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 Chief Constable'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 Chief Constable 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 Chief Constable 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 Chief Constable 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, Chief Constable 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 Chief Constable of 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 OCC's plans in financial terms. A budget is prepared and approved by the Police & Crime Commissioner 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'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 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's control, or
- 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.

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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 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 for work done or services supplied but not received at the end of the period.

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 and intended to provide a framework for the proper financial management of the OPCC. 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 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:

- 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.
-

- 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 is statutorily required to set aside from revenue each year as a provision to meet credit liabilities. For the OPCC 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 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 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 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).