

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

**DRAFT
Annual Financial Report**

2022/23

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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 2023.

The accounts for 2022/23 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 Police Reform and 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 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 the 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.

For accounting purposes the OPCC and the Office of the Chief Constable 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 2022/23 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 2022/23.

All of the assets, liabilities and reserves were transferred to the OPCC and have remained under the OPCC's control during 2022/23. The OPCC receives all income and funding and makes all payments for the Group from the OPCC Police Fund.

From 1 April 2014, under the Police Reform and Social Responsibility Act 2011 the contracts of employment for the majority of police staff transferred to the CC.

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.

The core financial statements:

The presentation of the 2022/23 Financial Statements reflects the reporting formats introduced by the 'Code' in 2016/17. An 'Expenditure and Funding Analysis' is now included in the notes.

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pension benefits earned by employees. However, statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis aims to demonstrate to council tax payers how the funding available to the CC (i.e. the budget received from the PCC) for the year has been used in providing services in comparison with those resources consumed or earned by authority in accordance with generally accepted accounting practices.

The services that are shown on both the Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis are determined by the performance framework and internal financial monitoring arrangements of the CC.

Movement in Reserves Statement

This summarises the movements to and from the reserves for the year 2022/23. 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 (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 Cash Flow 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.

There are no Accounting Standards that have been issued but not yet adopted that will impact on the financial statements or any material items that have been incurred that require, separate disclosure.

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 a more 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 of the Statement of Responsibilities 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.

Overview of 2022/23

The Police Grant Final Settlement was announced on 2nd February 2022 and confirmed a £6.7m increase in revenue grant funding. The additional funding made available was to meet the year three salary costs and infrastructure costs of the Government's 20,000 police officer uplift programme 2020 to 2023. The precept referendum threshold was confirmed at £10 for a Band D property.

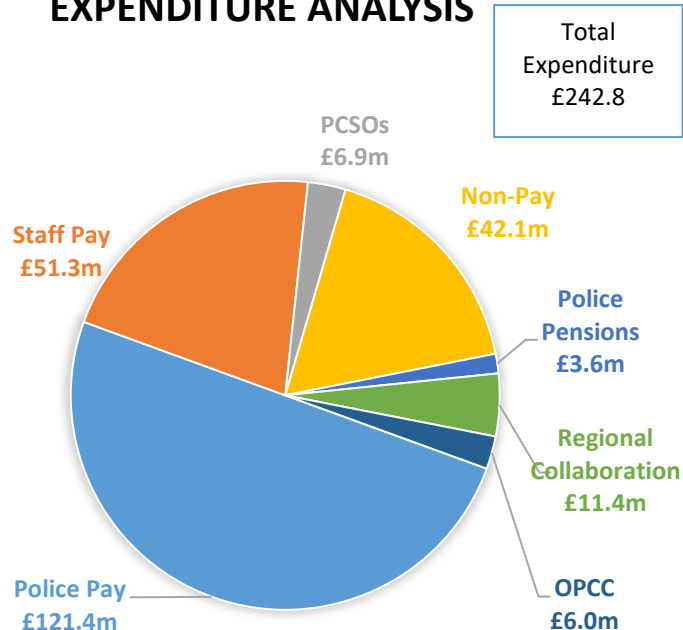
2022/23 was the third and final year of the Government's 20,000 officer uplift programme and funding was provided for the remaining 119 officers (6 officers are to be recruited into the Regional Organised Crime Unit). As the Force was ahead of this target the establishment was not increased beyond the forecast of 2,242 by March 2023. The national uplift programme alone has not restored officer numbers to pre-austerity levels of around 2,317 FTEs.

The Commissioner was briefed on the current and emerging operational challenges, both nationally and locally by the Chief Constable and the PCC allocated additional funding of £1.85m for additional police staff posts and supporting organisational infrastructure, deemed essential to deliver both service transformation and to support the growth in officer numbers.

A net annual revenue budget for 2022/23 of £223.3m was set for the service as a whole, an increase of 5.1% over 2021/22. £218.6m was managed by the CC with the remaining £4.7m (net of grants and transfers from reserves) relating to the costs of the OPCC (£1.5m) and commissioning activities (£3.2m).

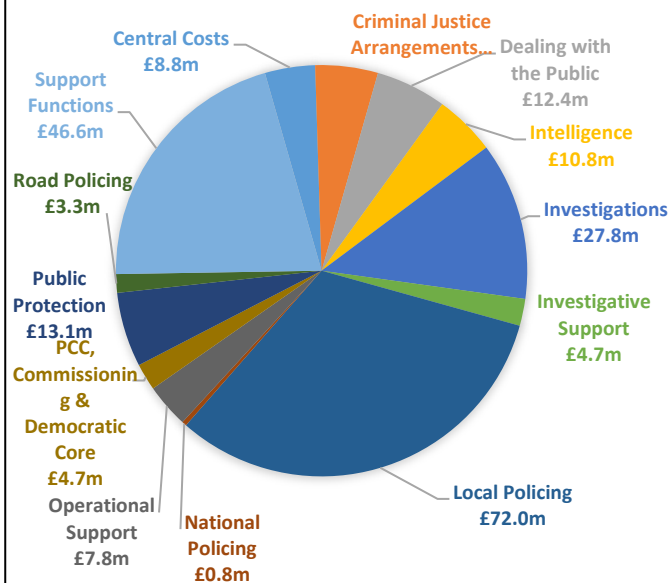
The graphs below demonstrate how the budget was allocated to Police Operational Activities (POA) and by type of expenditure.

2022/23 GROSS BUDGET EXPENDITURE ANALYSIS



*To reconcile to the net budget requirement of £223.2m, specific grant, fees and charges, and efficiency savings of £21.3m need to be deducted, and transfers to reserves of £0.8m need to be deducted, from the gross expenditure of £242.8m.

2022/23 NET BUDGET BY POA CATEGORY



*To reconcile to the net budget requirement of £223.2m, transfers to reserves of £0.8m need to be deducted from the net expenditure of £224m

Performance against budget

The Office of the Chief Constable for Leicestershire balanced its 2022/23 budget, after the transfer of funds to earmarked reserves, including £2.8m to meet future commitments in 2023/24. This was attributable to:

The Office of the Chief Constable for Leicestershire – Balanced Budget

- An overspend on police pay and allowances of £0.005m. The Force successfully achieved the recruitment targets for 2022/23 and ended the year with 2,251 FTE against an authorised establishment of 2,242 FTE. In addition to the 119 officers in the Force's baseline uplift figures the Force secured funding for an additional 35 officers. Due to investment in officers in prior years the additional uplift targets could be accommodated within the establishment of 2,242 FTE. Whilst increased expenditure on unsocial allowances and changes to the rank structure were incurred this was offset by additional grant income and over recovery of seconded officer income.
- An overspend on corporate budgets of £0.368m attributable to the part funded 2022 pay award, whilst an additional one off grant was received towards the cost of the police officers pay award this did not cover the total cost and no additional central funding was made available to fund the additional costs of the police staff pay award, an overspend on the Force Fuel budget reflecting the higher pump prices, the cost of the additional Bank Holiday for the Queen's funeral and increased legal expenditure. Offset by an underspend on PCSOs due to higher attrition and the difficulties in the recruitment market, Ill health retirements costs below the budget due to a lower level of retirements, the over achievement of investment income following the rise in interest rates, an over recovery of special police services income and mutual aid income from policing the commonwealth games and other operations and delays in the implementation of investment proposals and projects.
- An underspend of £0.009m on policing functions provided regionally.
- A net underspend of £0.541m in the delegated budgets as a result of a higher level police staff vacancies reflecting the general job market conditions, over recovery of income offset by increased police overtime costs to meet demand.

Narrative Report by the Chief Finance Officer

- During the year significant costs were incurred by the Force following the disturbance in East Leicester over a number of weeks. The criminal investigation into the incident continues. The PCC was successful in his application to the Home Office for special grant (£1.28m) which minimised the cost to the Force and taxpayers to £0.055m

During the year, the Chief Constable received specific grant from the Home Office to tackle serious violence crime (£0.7m).

As the resources are consumed by the OPCC at the request of the OCC the £2.8m to meet future commitments is held in the Carry Forward Reserve.

Operational Performance

From the 2022 to 2023 financial year, operational demand for Leicestershire increased as we move another year on from the Covid-19 and the impact to policing and communities. Leicestershire Police has seen periods of significant demand including those linked to the East Leicester Disorder, a number of well publicised protests and the passing of HM The Queen to list only a few.

Similar to the preceding financial year, the period between 2022/23 saw a continued trend of increased demand as follows:

Total Contact of 868,051 into the force. An increase of 13% on the previous financial year

A total of 203,078 Emergency Contacts were recorded seeing a significant rise from 168,834 from the previous financial year. An increase of 20%.

Of the 250,101 incidents created, 47,042 were classified as 'Emergency'. An increase of 12%. Whilst there were '64,622' classified as 'Priority' seeing a decrease in 8.5%.

In March 2023, HMICFRS published their report titled 'An Inspection of the East Midlands Regional Response to Serious and Organised Crime'. The report found that Leicestershire Police were 'Outstanding' in the area of tackling serious and organised crime. The PEEL inspection findings remain the same as those from the previous financial year as we see a change from annual reports extended over a longer term. The next round of HMI PEEL inspections is underway for the period 2023-2025.

Police Officer numbers have increased during this period under the national Police Uplift Programme. Whilst there have also been increased numbers of Police Staff and Special PC's.

HMICFRS PEEL Inspection

The last integrated PEEL (Police Effectiveness Efficiency and Legitimacy) assessment undertaken by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) was during 2021/22. The detailed report can be viewed on the HMICFRS website.

In 2014, HMI introduced the police effectiveness, efficiency and legitimacy (PEEL) inspections, which assess the performance of all 43 police forces in England and Wales. Since then, HMI have been continuously adapting their approach and this year has seen the most significant changes yet.

HMI are moving to a more intelligence-led, continual assessment approach, rather than the annual PEEL inspections they used in previous years. For instance, HMI have integrated their rolling crime data integrity inspections into these PEEL assessments. Also the PEEL victim service assessment now includes a crime data integrity element in at least every other assessment.

HMI have also changed their approach to graded judgments. HMI now assess forces against the characteristics of good performance, set out in the PEEL Assessment Framework 2021/22, and they more clearly link judgments to causes of concern and areas for improvement. HMI have also expanded their previous four-tier system of judgments to five tiers **Inadequate/Requires Improvement/Adequate/Good and Outstanding**. As a result, HMI can state more precisely where they consider improvement is needed.

Her Majesty's Inspectorate of Constabulary – Findings for PEEL 2021-22

HMI's inspection assessed how good Leicestershire Police is in ten areas of policing and they made graded judgments in nine of the following as follows:

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- Providing a service to the victims of crime - **HMI do not make graded judgements in this overall area**
- Recording data about crime - **OUTSTANDING**
- Engaging with and treating the public with fairness and respect - **GOOD**
- Preventing crime and anti-social behaviour - **OUTSTANDING**
- Responding to the public - **ADEQUATE**
- Investigating crime - **ADEQUATE**
- Protecting vulnerable people - **OUTSTANDING**
- Managing offenders and suspects - **GOOD**
- Building supporting and protecting the workforce - **GOOD**
- Strategic Planning & Organisational Development - **GOOD**
 - **Leicestershire Police is good at operating efficiently.**
 - **The force has an effective strategic planning and performance management framework.**
 - **The force manages demand well.**
 - **Some adjustments are required to where staff are based.**
 - **The force has a good understanding of the capabilities of its workforce.**
 - **The force equips its volunteers to work effectively on its priorities.**
 - **The force uses its finance effectively and is adaptable to changing budgetary requirements The force collaborates to improve services**
 - **The force improves productivity through technological solutions**
- Disrupting serious and organised crime – **OUTSTANDING**

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.

A total of £7.2m was spent on improving the estate, investing in information technology and the vehicle fleet. This was funded by a combination of internal borrowing, grant, third party income including S106 and revenue contributions. This capital spending resulted in non-current asset additions of £7.1m with £0.1m being charged to the Comprehensive Income and Expenditure Statement as 'Revenue Expenditure Financed from Capital resources Under Statute' (REFCUS – see Note 14 in the group accounts).

During the year 2 new PWLB loans were taken out totalling £5m and 2 repaid totalling £1.1m. Outstanding external debt at the year-end was £14.7m (excluding accruals for interest payable).

The 'Estates' projects undertaken include:

- purchase of the land at Coalville to create additional parking
- completion of the Melton Locker Room and refurbishment of the Keyham Lane Annex
- Purchase of Lighthouse (Child referral centre)
- The creation of a Front Enquiry Office at Oakham Police Station

Narrative Report by the Chief Finance Officer

During the year the IT Department continued to experience delays in the delivery of the programme due to the capacity of the internal IT resources and suppliers struggling to source components. However, the following projects were progressed during the year:

- Investment in the data network and storage to ensure network performance and support new services.
- Completion of the smartphone fleet to facilitate the on-going use of agile services and replacement of airwave terminals to extend their use until the emergency services network goes live.
- Provision for the on-going development of Pronto.
- The continuation of investment in the personal computer estate to support agile working.
- A range of upgrades / enhancements on the force's Contact Management and Telephony solution.

During 2022/23, the Transport Unit purchased a total of 156 Vehicles including an additional 9 IRVs. All the vehicles that were delayed due to supply issues in prior years have now been replaced. Capital expenditure on vehicles and commissioning was £3.4m

No properties were disposed of during 2022/23.

Retirement Benefits

The Force is a member of 2 pension schemes:

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

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.

As the Police Pension Scheme is unfunded it results in a significant liability being carried on the balance sheet. In common with other Forces and Local Government bodies the OPCC/Force usually reports a deficit in relation the LGPS scheme too. This represents the difference between the Assets and Liabilities of the scheme.

However, for 2022/23 the LGPS has a net asset, this is primarily due to changes in the financial assumptions and in particular the increase in the discount rate used. In accordance with the accounting requirements neither an asset of liability has been disclosed as at the 31st March 2023. This is explained further in Note 26 to the accounts.

Variations in the pension fund balance do occur between years due the changes in the financial and demographic assumptions and rates of return on investments used by the Fund actuaries, when valuing the scheme assets and liabilities.

Accounting for Retirement Benefits in the 2022/23 Statement of Accounts has therefore resulted in an overall pension liability of £1,744m, all of which relates to the Police scheme.

The pension liability includes provision for the potential impact of:

- The McCloud / Sargeant judgement
- Changes to how 'Guaranteed Minimum Pension' (GMP) is treated within the pension scheme.

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

The main elements of the Act are:

- Changes implemented across all the main public service pension schemes in response to the Court of Appeal judgment in the McCloud and Sargeant cases:
- Eligible members of the main unfunded pension schemes have a choice of the benefits they wish to take for the "remedy period" of April 2015 to 31 March 2022.

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- From 1 April 2022, when the remedy period ends, all those in service in main unfunded schemes will be members of the reformed pension schemes, ensuring equal treatment from that point on.
- Ensures there are no reductions to member benefits as a result of the 2016 cost control valuations.

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

Outlook for 2022/23

The December 2022 grant settlement announced that Leicestershire's core funding for 2023/24 would increase by £0.3m and the specific uplift grant by £2m. This is intended to maintain the increase in police officer numbers as part of the Government's national Police Uplift Programme.

The PCC also acknowledged the assumption contained within the settlement that the precept could increase locally by £15 in 2023/24, to ensure that police spending is protected and make further significant investments in policing services.

The Commissioner has been briefed on the current financial landscape, which has become a challenging one for policing. A nationally-set pay agreement for all Police officers and Police Staff, higher inflation, increasing energy and fuel costs and other inflationary pressures have put significant pressure on the Force's budget in 2023/24 and beyond.

Investment items totalling £2.239m are contained within the budget proposals for 2023/24 and beyond. This is to support organisational infrastructure and investment in digital transformation, deemed essential to deliver both service efficiency and to support the growth in officer numbers.

To balance the 2023/24 budget the PCC is proposing to use £3.4m of reserves of which £1m is of an ongoing and the Force needs to identify efficiency savings of £3.9m.

Against this background, the PCC set 2023/24 net revenue and capital budgets of £230m and £11m respectively. A precept of £273.23 for a Band D property was set for the year, an increase of £15.00 (5.81%) over 2022/23.

Whilst the funding made available to the Police and Crime Commissioner increased during 2022/23 and 2023/24 the outcome of the 2021 comprehensive spending review (SR2021) only provided a high level indication of the increase in overall grant funding for 2023/24 and 2024/25 therefore a degree of uncertainty regarding future levels of funding for the Group continues.

In conclusion, the financial arrangements of the Office of the Police and Crime Commissioner and the Office of the Chief Constable are in a sound position although it is recognised that future funding challenges remain.

Both organisations have a good reputation for managing expenditure within the resources available alongside a clear focus on a change programme to manage future challenges, supported by an adequate level of reserves that will help the force through the change process. Discussions continue to ensure that there is an appropriate balance between the change programme and its implications, and the resources available in order to deliver the priorities of the Police and Crime Plan as identified to the Commissioner by the public and partners within Leicester, Leicestershire and Rutland.

Organisational Risks

When the budget for 2023/24 was set a number of risks were highlighted in relation to the following that could impact upon the budget plans:

- Pay inflation
- Changes to business rate bills from the 1st April 2023
- Police Staff job evaluation
- Employment claims in respect of unlawful discrimination arising from the transitional provisions in the Police Pension Regulations 2015.
- The Emergency Services network
- Digital transformation and cloud migration.

Narrative Report by the Chief Finance Officer

More details against each of these risks can be found at the following link to the budget and precept meeting report:

<https://www.leics.pcc.police.uk/Planning-and-Money/Finance/Budget-Information/Budget-2023-2024.aspx>

In addition to these the latest information reported to JARAP regarding the highest risks currently being faced include:

- The Financial Challenge - 2022/23 – 2025/26
- Capacity within I.T. to support and enable digital transformation
- Risk to network storage
- Inability to meet regional Occupational Health demand
- Churn of staff and ongoing establishment pressure
- Current JES non-equalities compliant and the implementation of new JES scheme carries risk
- Estates Department not being able to support essential building services
- Loss of IT functionality due to overheating at Euston Street
- Risk of cyber attack
- Removal, retention and deletion of data in Digital Hub
- Lack of PIP 2 detectives
- Complying with Home Office Counting Rules & ensuring high levels of crime data integrity
- Risk associated with the transition to an alternatively fuelled fleet

A report was also presented to JARAP regarding the OPCC's highest risks currently faced which include:

- Failure to meet the General Data Protection Regulations (GDPR)
- Economic impact of the current foreign political unrest
- The Financial Challenge - 2022/23 – 2025/26
- Failure to follow leavers process
- Delays in service provision due to pressures on the Commissioning and Procurement teams leading to delays in the tendering process, reputational issues
- Risk of Cyber Attack
- Partnership Relationships deteriorate as a result of a change in strategic direction
- Impairment of the wellbeing of staff caused by external factors
- Police and Crime Plan commitments not delivered
- Insufficient funding to maintain Programme Sustainability
- Impact on public trust and confidence arising from national negative national coverage
- Delayed recruitment of OPCC Staff
- Provider failure or poor performance

Paul Dawkins
Chief Finance Officer
10th July 2023

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 2023 has been prepared and were approved at the Joint Audit, Risk Assurance Panel (JARAP) on xxx

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/Group
- 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 2023.

Paul Dawkins
Chief Finance Officer
xxxxxx 2023

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.

2021/22				Note	2022/23		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
280,980	(23,837)	257,143	Policing Services		295,239	(31,709)	263,530
154	6	160	Corporate & Democratic		145	-	145
130	-	130	Core		-	-	-
			Non-Distributed Costs	14	-	-	-
281,264	(23,831)	257,433	Cost of services	2	295,384	(31,709)	263,675
(232,445)	-	(232,445)	Other operating expenditure		(241,320)	-	(241,320)
59,267	-	59,267	Financing and investment income & expenditure	3	75,554	-	75,554
108,086	(23,831)	84,255	(Surplus) or deficit on provision of services		129,618	(31,709)	97,909
		(85,422)	Actuarial (gains) / losses on pension assets/liabilities	13			(1,074,863)
		(85,422)	Other comprehensive income & expenditure				(1,074,863)
		(1,167)	Total comprehensive income & expenditure				(976,954)

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).

31st March 2022 £000		Note	31st March 2023 £000
15	Non-current assets Long term debtors		10
15	Total long term assets		10
132	Current assets Short term debtors		146
3,731	Inter – Group debtor		5,334
3,863			5,480
(9,249)	Current liabilities Short term creditors		(12,117)
-	Inter-Group creditor		-
(9,249)			(12,117)
(5,386)	Net current assets		(6,637)
(2,722,332)	Long term liabilities Liability related to defined benefit pension schemes		(1,744,122)
(2,722,332)			(1,744,122)
(2,727,703)	Net assets / (liabilities)		(1,750,749)
2,727,703	Unusable reserves		1,750,749
2,727,703	Total reserves		1,750,749

Certification

The draft financial statements on pages 1 to 61 were authorised for issue on the 10th July 2023.



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.

2022/23	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000
Balance at 31 March 2022	-	-	2,727,703	2,727,703
Movement in reserves during 2022/23				
Surplus or deficit on the provision of services	97,909	97,909	-	97,909
Other Comprehensive Income and Expenditure	-	-	(1,074,863)	(1,074,863)
Total Comprehensive Income and Expenditure	97,909	97,909	(1,074,863)	(976,954)
Adjustments between accounting basis and funding basis under regulations	(97,909)	(97,909)	97,909	-
Net Increase or Decrease before Transfers to Earmarked Reserves	-	-	(976,954)	(976,954)
Transfers to/from Earmarked Reserves	-	-	-	-
Increase or Decrease in 2022/23	-	-	(976,954)	(976,954)
Balance at 31 March 2023	-	-	1,750,749	1,750,749

2021/22	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000
Balance at 31 March 2021	-	-	2,728,870	2,728,870
Movement in reserves during 2021/22				
Surplus or deficit on the provision of services	84,255	84,255	-	84,255
Other Comprehensive Income and Expenditure	-	-	(85,422)	(85,422)
Total Comprehensive Income and Expenditure	84,255	84,255	(85,422)	(1,167)
Adjustments between accounting basis and funding basis under regulations	(84,255)	(84,255)	84,255	-
Net Increase or Decrease before Transfers to Earmarked Reserves	-	-	(1,167)	(1,167)
Transfers to/from Earmarked Reserves	-	-	-	-
Increase or Decrease in 2021/22	-	-	(1,167)	(1,167)
Balance at 31 March 2022	-	-	2,727,703	2,727,703

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.

2021/22 £000		Note	2022/23 £000
84,255	Net (surplus) or deficit on the provision of services		97,909
(84,255)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	16.1	(97,909)
-	Adjustments for items included in the net (surplus) or deficit on the provision of services 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		-

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.

2022/23	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(96,653)	95,653
Holiday pay (transferred to the Accumulated Absences reserve)	(1,256)	1,256
Total Adjustments	(97,909)	97,909

2021/22	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(83,697)	83,697
Holiday pay (transferred to the Accumulated Absences reserve)	(558)	558
Total Adjustments	(84,255)	84,255

Notes to the core financial statements

2. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding analysis also shows how this expenditure is allocated for decision making purposes between the Group/OPCC's services.

2021/22			CC	2022/23		
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	Notes	£000	2.1 £000	£000
205,752	51,391	257,143	Policing Services	218,439	45,091	263,530
160	-	160	Corporate & Democratic Core	145	-	145
-	-	-	Commissioning	-	-	-
-	130	130	Non-Distributed Costs	-	-	-
205,912	51,521	257,433	Net Cost of Services	218,584	45,091	263,675
(205,912)	32,734	(173,178)	Other Income and Expenditure	(218,584)	52,818	(165,766)
-	84,255	84,255	Surplus or Deficit on Provision of Services	-	97,909	97,909
			Opening Combined General Fund Balance			
-			Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	-		
-			Closing Combined General Fund Balance	-		

2.1 Note to Expenditure and Funding Analysis

	2022/23				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	(634)	47,968	(2,243)	-	45,091
Corporate & Democratic Core	-	-	-	-	-
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	-	-	-	-
Net Cost of Services	(634)	47,968	(2,243)	-	45,091
Other Income and Expenditure	634	48,685	3,500	-	52,818
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	-	96,653	1,256	-	97,909

Notes to the core financial statements

	2021/22				
	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Statutory Adjustments £000	Other Differences £000	Total Adjustments £000
Policing Services	4,913	48,987	(2,512)	-	51,388
Corporate & Democratic Core	-	-	-	-	-
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	130	-	-	130
Net Cost of Services	4,913	49,117	(2,512)	-	51,518
Other Income and Expenditure	(4,913)	34,580	3,070	-	32,737
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	-	83,697	558	-	84,255

2.2 Expenditure and Income Analysed by Nature

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.

2021/22 Outturn £000		Note	2022/23 Outturn £000
123,114	Police officer pay and allowances		131,076
61,833	Police staff pay and allowances		64,944
3,648	Police pensions		3,262
48,987	IAS 19 Current Cost Adjustment (pensions)	14	47,968
1,774	Other employees expenses		1,734
5,417	Premises		6,845
3,770	Transport		4,290
19,426	Supplies and services		21,396
6,605	Agency and contracted services		7,581
274,574	Total Expenses		289,096

2021/22 £000	Grant Income	2022/23 £000
	Credited to services:	
(2,930)	Dedicated Security Grant	(4,400)
(637)	Special Operations	(1,281)
(1,115)	Serious Violent Crime Initiatives	(691)
(375)	Proceeds of Crime Act/Incentivisation	(342)
(631)	Police Pensions Grant	(1,903)
(1,903)	Police Uplift Programme Grant	(3,728)
(1,621)	EMSOU (22.9% Share)	(1,281)
(798)	Others	(990)
(10,010)	Total	(14,616)

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

3. *Financing and investment income & expenditure*

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

2021/22 Outturn £000		Note	2022/23 Outturn £000
59,267	Pensions net interest cost	14	75,554
59,267			75,554

4. Officers' remuneration

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

2022/23	Notes	Salary	Benefits in kind	Other payments	Expense Allowances	Pension contributions	Total
		£	£	£	£	£	£
				Note 1	Note 2		
The Office of the CC							
Chief Constable – Mr R Nixon		157,802		3,376	8,500	48,919	218,597
Deputy Chief Constable (Until 12/06/2022)	4	25,464		675	1,005	7,392	34,536
Deputy Chief Constable (Commenced 30/05/2022)		109,524	6,268		419	32,639	148,850
Assistant Chief Constables							
Senior Police Officer O (Until 29/05/2022)	5	19,229			81	5,961	25,271
Senior Police Officer P (Commenced 16/05/2022)	6	101,831		2,307	4,673	31,568	140,379
Senior Police Officer Q		107,580			5,800	28,786	142,166
Assistant Chief Officers							
Finance & Resources		105,375			5,542	26,133	137,050
ACO Human Resources		91,197			5,527	22,617	119,341
		718,002	6,268	6,358	31,547	204,015	966,190

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 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 – The Deputy Chief Constable held the post until the 12/06/2022 on an annualised salary of £129,264. This officer then transferred to another Force

Note 5 – Senior Police Officer O held the post of Leicestershire ACC until the 29/05/2022 on an annualised salary of £119,220. On the 19/03/2022 this officer was temporary promoted to Deputy Chief Constable on an annualised salary of £129,264 and was subsequently confirmed in post on the 20/01/2023.

Note 6 – Senior Police Officer P was temporary promoted to the rank of Assistant Chief Constable on the 16/05/2022 on an annualised salary of £112,404. This is a second period of temporary promotion.

2021/22	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£	£	£	£
				Note 1	Note 2		
The Office of the CC							
Chief Constable – Mr Siomon Cole (Retired 21/03/2022)		159,413		4,418	8,675	-	172,506
Chief Constable (Commenced 19/03/2022)		5,476		118	297	1,697	7,588
Deputy Chief Constable (Until 18/03/2022)	4	124,747		3,258	4,851	38,671	171,527
Deputy Chief Constable (commenced 19/03/2022)		4,517		118	175	1,291	6,101
Assistant Chief Constables							
Senior Police Officer N (Until 18/03/2022)	5	115,054		3,258	4,851	35,667	158,830
Senior Police Officer O		119,220	5,321		750	36,958	162,249
Senior Police Officer P (Until 31/05/2021)	6	18,734		439	838	4,740	24,751
Senior Police Officer Q (Commenced 14/02/2022)	7	13,524			159	3,643	17,326
Assistant Chief Officers							
Finance & Resources	8	106,939			5,542	25,452	137,933
ACO Human Resources		89,319			5,527	21,258	116,104
		756,943	5,321	11,609	31,665	169,377	974,915

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 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 – The Deputy Chief Constable held the post until the 18/03/2022 on an annualised salary of £129,264. On the 19/03/2022 this officer was temporary promoted to Chief Constable on an annualised salary of £156,693

Note 5 – Senior Police Officer N held the post of Leicestershire ACC until the 18/03/2022 on an annualised salary of £119,220. On the 19/03/2022 this officer was temporary promoted to Deputy Chief Constable on an annualised salary of £129,264

Note 6 – Senior Police Officer P ceased holding the rank of Assistant Chief Constable on the 31/05/2022 on an annualised salary of £112,404

Note 7 - Senior Officer Q (ACC rank) commenced on the 14/02/2022 on an annualised salary of £105,600

Note 8 - Until the 14/11/2021 The Assistant Chief Officer (Finance & Resources) for Leicestershire was the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner. The senior officer remuneration in respect of the CFO role is disclosed in the Statement of Accounts for the Chief Constable and Police and Crime Commissioner Group financial statements. For 2021/22 the OPCC contributed £3.7k towards these costs. From the 15/11/2021 the Assistant Chief Officer (Finance and Resources) returned to his role as CFO for the Chief Constable.

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 £	2021/22	2022/23
	number of employees	
50,000 to 54,999	34	36
55,000 to 59,999	9	12
60,000 to 64,999	4	4
65,000 to 69,999	1	4
70,000 to 74,999	8	5
75,000 to 79,999	2	2
80,000 to 84,999	2	1
85,000 to 89,999	1	-
90,000 to 94,999	-	2
95,000 to 99,999	-	1
120,000 to 124,999	-	-

- 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.
- Two of the above posts are National / seconded positions for which the Force receives external funding.
- 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 Emergency Services Network Collaboration, 13 of the police staff employees 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 £	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	1	3	-	-	1	3	18,031	16,127
£20,001 - £40,000	-	-	1	1	1	1	27,931	22,563
£40,001 - £60,000	-	-	-	1	-	1	-	60,000
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	1	-	-	-	1	-	110,116	-
total	2	3	1	2	3	5	156,079	98,690

The CC terminated the contracts of a number of employees in 2022/23, incurring liabilities of £99k (£156k in 2021/22).

5. Jointly Controlled Operations

The OCC participates in collaborative arrangements with other East Midlands Forces. The police officers involved are seconded from the individual forces and all costs are borne in agreed proportions. Details of the member forces are set out in the table below (where reference is made to 'all 5 forces' this refers to Leicestershire, Derbyshire, Nottinghamshire, Northamptonshire and Lincolnshire).

East Midlands (EM) Jointly Controlled Operations

Jointly Controlled Operation	Member Forces	Ownership %	Lead Force
EM Special Operations Unit <i>(inc Technical Support Unit)</i>	All 5 Forces	22.90 %	Leicestershire
EM Major Crime	All 5 Forces	22.90 %	Leicestershire
EM Forensics	All 5 Forces	22.90 %	Derbyshire
EM Criminal Justice <i>(ceased 31st August 2022)</i>	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.30 %	Lincolnshire
Specialist Operations Training <i>(ceased 31st October, 2022)</i>	Leicestershire, Northamptonshire and Lincolnshire	44.90%	Leicestershire
EM Legal Services	All 5 Forces	22.90 %	Derbyshire
EM Occupational Health	All 5 Forces	22.90 %	Leicestershire
EM Learning & Development	Leicestershire, Nottinghamshire, Northamptonshire and Derbyshire	26.36 %	Leicestershire
EM HR Shared Service Centre	Leicestershire & Derbyshire	50.00 %	Derbyshire
EM ESN Programme Team	All 5 Forces	22.60 %	Leicestershire
ASU (Hangar Only)	Leicestershire, Northamptonshire and Warwickshire	33.33 %	Leicestershire

The following tables relate to Leicestershire's share only.

5.1 Comprehensive Income & Expenditure Statement Jointly Controlled Operations

2021/22 £000		2022/23 £000
2,807	Police pay & allowances	2,847
5,939	Police Staff pay & allowances	5,970
234	Other employees expenses	,653
129	Premises	163
159	Transport	189
1,268	Supplies & services	1,288
-	Agency & contracted services	-
(1,116)	Income from Government Grants	(1,750)
(313)	Income from Fees & charges	(286)
(9,299)	Funding provided to the pooled budget	(9,328)
418	Depreciation & Amortisation	231
-	(Surplus / Deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	40
226	Cost of Services	17
(4)	Gains / Losses on disposal of non-current assets	(7)
(82)	Capital Grants & Contributions	(43)
140	(Surplus) / Deficit on Provision of Services	(33)
(9)	(Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)	(28)
131	Total Comprehensive Income & Expenditure	(61)

6. 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 and 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 and Crime Commissioner and articulated within the Corporate Governance Framework. No material related party transactions have been identified following consultation with members and relevant officers.

The OCC participates in eleven jointly controlled operations (JCO) with other neighbouring Forces. See Note 5 for further details.

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.

7. External audit costs

In 2022/23 the OCC incurred the following fees relating to external audit.

2021/22 £000	Costs	2022/23 £000
12	Scale Fee	12
19	Additional Fees	29
(2)	Audit Rebate	-
29	Total	41

The OCC received a grant of £5k during 2022/23, under Section 31 of the Local Government Act 2003 – Grant Determination. This was in response to the Redmond Review and relates to a Local Audit Fees Grant.

8. Leases

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

Under the Corporate Governance Framework, the Police and 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 and 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.

9. Debtors

9.1 Long-Term Debtors

At the balance sheet date five car loans to employees were outstanding (2022/23 – 5). 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.

9.2 Short-Term Debtors

31st March 2022 £000		31st March 2023 £000
	Short-term debtors	
28	Central government bodies	35
26	Local authorities	27
78	Other Entities & Individuals	84
132		146

10. Creditors

31st March 2022 £000		31st March 2023 £000
	Short-term creditors	
(3,877)	Central government bodies	(4,103)
-	Local authorities	(1,387)
(5,372)	Other Entities & Individuals	(6,627)
(9,249)		(12,117)

The figure shown in Other Entities and Individuals relates to accumulated absences. Further details can be found in Note 15.

11. 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.

12. 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.

31st March 2022 £000		Note	31st March 2023 £000
2,722,332	Pension reserve	13	1,744,122
5,371	Accumulated absences account	15	6,627
2,727,703	Total unusable reserves		1,750,749

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.

13. 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.

2021/22 £000		Note	2022/23 £000
2,724,057	Balance at 1st April		2,722,332
(85,422)	Actuarial gains or losses on pensions assets and liabilities		(1,103,024)
-	Asset Ceiling Adjustment		28,161
123,041	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	14/1	137,673
(39,344)	Employer's pensions contributions and direct payments to pensioners payable in the year	1	(41,020)
2,722,332	Balance at 31st March		1,744,122

Note 14 – Defined benefit pension schemes provides further analysis of the figures shown above together with an explanation for their existence.

14. Defined benefit pension schemes

This note reports the main pension funds of the Group. As in previous years all of the transactions relating to the LGPS are shown under the Chief Constable (CC). 99% of the employees in the LGPS work for the Chief Constable and the balance relating to the OPCC is not significant.

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 OPCC/Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Following changes introduced in 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 2022/23 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.

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000	£000	£000
Cost of services:						
Current service cost	25,183	23,841	63,151	65,147	88,334	88,988
Past service cost	130	-	-	-	130	-
(Gain) / loss from settlements	-	-	-	-	-	-
	25,313	23,841	63,151	65,147	88,464	88,988
Other Operating Expenditure:						
Funding from OPCC	-	-	(24,690)	26,869	(24,690)	26,869
Financing & investment income/expenditure:						
Net Interest cost	3,221	3,123	56,046	72,431	59,267	75,554
Net charge to surplus / deficit on provision of services	28,534	26,964	94,507	110,709	123,041	137,673
Other comprehensive income & expenditure:						
Return on Plan Assets (excluding the amount included in the net interest expense)	(26,887)	12,443	-	-	(26,887)	12,443
Actuarial (gains)/losses on changes in demographic assumptions	(6,127)	(2,200)	(22,444)	(15,370)	(28,571)	(17,570)
Effect of Asset Ceiling Adjustment	-	28,161	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	(33,632)	(184,146)	(61,192)	(1,084,258)	(94,824)	(1,268,404)
Other (if applicable)	7,666	23,500	57,194	147,007	64,860	170,507
Net charge to total comprehensive income & expenditure	(30,446)	(95,278)	68,065	(841,912)	37,619	(937,190)
Statement of Movement in Reserves:						
Reversal of items not permitted to be charged to the general fund by statute	30,446	(23,500)	(68,065)	841,912	(37,619)	818,412
Employer Contributions	11,881	12,957	27,463	28,063	39,344	41,020
Net charge to general fund	11,881	(105,821)	27,463	28,063	39,344	(77,758)
Retirement benefits payable to pensioners						
Analysed as:						
Employers' contributions payable to schemes	11,881	12,957	24,907	28,063	36,788	41,020
Employers' contributions payable to schemes – Cash Top-Up	-	-	-	-	-	-
Direct payments - Injury awards payable	-	-	2,556	-	2,556	-
Total	11,881	12,957	27,463	28,063	39,344	41,020

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
Present value of the defined benefit obligation	(416,195)	(286,392)	(2,614,097)	(1,744,122)	(3,030,292)	(2,030,514)
Fair value of plan assets	307,960	314,553	-	-	307,960	314,553
Asset Ceiling Adjustment	-	(21,161)	-	-	-	(28,161)
Sub total	(108,235)	-	(2,614,097)	(1,744,122)	(2,722,332)	(1,744,122)
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-
Net liability arising from defined benefit obligation	(108,235)	-	(2,614,097)	(1,744,122)	(2,722,332)	(1,744,122)

Notes to the core financial statements

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

	Local Government Pension Scheme		Police Pension Schemes	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Opening fair value of scheme assets	276,482	307,960	-	-
Interest Income	5,764	8,605	-	-
Remeasurement gain/(loss)				
The return on plan assets; excluding the amount included in the net interest expense	26,887	(12,443)	-	-
Other (if applicable)	(10,946)	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	11,881	12,957	27,463	28,063
Employer Contributions (Top Up Grant)			24,690	26,869
Contributions from employees into the scheme	3,284	3,415	10,246	10,696
Benefits paid	(5,392)	(5,941)	(62,399)	(65,628)
Other (if applicable)	-	-	-	-
Closing fair value of scheme assets	307,960	314,553	-	-

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

	Local Government Pension Scheme		Police Pension Schemes	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Opening balance at 1 April	(427,044)	(416,195)	(2,573,495)	(2,614,097)
Current Service Cost	(25,183)	(23,841)	(63,151)	(65,147)
Interest Cost	(8,985)	(11,728)	(56,046)	(72,431)
Contributions from scheme participants	(3,284)	(3,415)	(10,246)	(10,696)
Remeasurement (gains) and losses				
• Actuarial gains/losses arising from changes in demographic assumptions	6,127	2,200	22,444	15,370
• Actuarial gains/losses arising from changes in financial assumptions	33,632	184,146	61,192	1,084,258
• Other (if applicable)	3,280	(23,500)	(57,194)	(147,007)
	(130)	-	-	-
Past service cost	-	-	-	-
Losses/(gains) on curtailment (where relevant)	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	5,392	5,941	62,399	65,628
Liabilities extinguished on settlements (where relevant)	-	-	-	-
Closing balance at 31 March	(416,195)	(286,392)	(2,614,097)	(1,744,122)

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 for retirement benefits. The total net liability of £1,744m has a substantial impact on the net worth of the OCC as recorded in the balance sheet, resulting in a negative overall balance of £1,673m. All of the deficit for 2022/23 relates to the police pension scheme. However, the statutory arrangements for funding the deficit mean that the financial position of the OCC remains stable.

In 2022/23, the local government pension scheme has a net asset due to changes in the financial assumptions and in particular the increase in the discount rate used. In accordance with proper accounting practice neither

an asset or liability has been disclosed as at the 31st March 2023. As a result the liability in relation to the scheme has decreased by £108m.

Any future deficits 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 2022 the employer's contribution rate increased to 24.8% (23.8% for 2020/21) and is due to rise to 24.9% in 2023/24.

The LGPS fund was valued during 2022/23 for the purposes of setting the employer's contribution rates for the next 3 years commencing in April 2023. The next valuation will be as at the 31st March 2025 and will take place during 2025/26.

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2018/19 resulted in an increase in the employers' contribution rate from 21.3% to 31% from April 2019. The Home Office has continued to provide a specific grant of £1.9m to assist the Force in funding the increased employer's contributions in 2022/23. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

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. 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.

'McCloud / Sargeant' Judgement

Police Pension Scheme

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

The main elements of the Act are:

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

Local Government Pension Scheme

When the LGPS benefit structure was reformed in 2014, transitional protections were also applied to certain older members close to normal retirement age. The Government has confirmed that there will be changes to all the main public sector schemes, including the LGPS to remove the age discrimination. On the 13th May 2021, the government issued a statement confirming the key changes they will make to the LGPS scheme to remove the age discrimination.

Impact on pension liability

Police Pension Scheme

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. The scheme actuaries originally estimated the increase in scheme liabilities for the force to be approximately 5.4% or £103m of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-19 accounts. The accounting figures for 2023 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken in 2018/19.

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

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

Local Government Pension Scheme

The Scheme actuaries estimate that the impact for Leicestershire will be £2.6m. These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, the implementation of the remedy will result in unavoidable upward pressure on contributions in future years.

Compensation Claims

Claimants have lodged claims for compensation under two active sets of litigation, Aarons and Penningtons.

Aarons & Ors

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

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

Penningtons

As at 31 March 2023, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

Guaranteed Minimum Pension (GMP)

Guaranteed minimum pension (GMP) was accrued by pension scheme members (officers & Staff) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes and hence scheme employers.

The pension liabilities of both schemes were increased in 2018/19 to allow for the potential impact of the GMP changes. The estimate assumed that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimates received from the actuaries were that for the Police Pension scheme the additional liability was £7.6m (equal to 0.4% of the overall ISA19 liabilities) and for the LGPS approximately £0.1m. These increases were reflected in the IAS19 disclosures as a past service cost in the 2018/19 accounts. The accounting figures for 2022 therefore continue to reflect the potential costs on an approximate basis following on from prior year exercises.

Notes to the core financial statements

Basis for Estimating Assets and Liabilities

	Local Gov't Scheme		Police Schemes	
	2021/22	2022/23	2021/22	2022/23
	Years	Years	Years	Years
Mortality assumptions:				
Longevity at 65 (60 for police schemes) for current pensioners:				
• Men	21.5	21.2	26.9	26.7
• Women	24.4	24.2	29.1	29.0
Longevity at 65 (60 for police schemes) for future pensioners:				
• Men	22.3	22.1	29.2	28.7
• Women	25.9	25.8	31.3	30.9

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

	Local Gov't Scheme		Police Schemes	
	2021/22	2022/23	2021/22	2022/23
• rate of inflation (increase or decrease by 1%)	3.65%	3.45%	3.20%	2.70%
• rate of increase in salaries (increase or decrease by 1%)	3.65%	3.45%	4.70%	4.20%
• rate of increase in pensions (increase or decrease by 1%)	3.15%	2.95%	3.30%	2.80%
• rate for discounting scheme liabilities (increase or decrease by 1%)	2.75%	4.75%	2.80%	4.80%

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

Notes to the core financial statements

Local Government Pension Scheme assets comprised

2021/22 £000	Fair Value of Scheme Assets	2022/23 £000
15,550	Cash and cash equivalents	7,077
	<i>Equity instruments: by industry type</i>	
358	Consumer	33
45	Manufacturing	158
443	Energy and utilities	325
622	Financial institutions	100
250	Health and care	54
128	Information technology	61
722	Other	258
2,569	Sub total equity	989
	<i>Bonds: by sector</i>	
15,460	UK Government	14,487
578	Other	1,329
16,037	Sub total bonds	15,816
	<i>Property: by type</i>	
23,694	UK Property	22,292
-	Overseas Property	-
23,694	Sub total property	22,292
	<i>Private equity</i>	
20,595	All	21,535
20,595	Sub total private equity	21,535
	<i>Other investment funds</i>	
141,791	Equities	137,737
-	Bonds	-
-	Hedge Funds	1
7,728	Commodities	8,079
16,101	Infrastructure	25,732
63,256	Other	75,151
228,876	Sub total other investment funds	246,700
	<i>Derivatives</i>	
639	Forward foreign exchange contracts	144
307,960	Total assets	314,553

15. 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.

During 2022/23 Police Officer Annual Leave increased from £1,298k to £1,339k. Rest days in lieu increased from £1,470k to £2,365 and Time off in lieu increased from £757k to £774k. Police Staff Annual leave increased from £867k to £1,053k, Rest day in lieu increased £291k to £395k. Time off in lieu from £435k to £458k. With COVID-19 still having an impact in 2022/23 Officers and Staff have continued to carry over as much Annual Leave as possible. The situation has in part, been made worse in 2022/23 due to a large policing operation within East Leicestershire whereby RDIL were cancelled and leave was restricted. The Charity

Notes to the core financial statements

Shield held at LCFC, European Football, and large scale mutual aid operations such as London Bridge, The Jubilee and the Commonwealth Games have also impacted, TOIL, RDIL and AL.

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

2021/22 £000		2022/23 £000
(4,813)	Balance at 1st April	(5,371)
4,813 (5,371)	Reversal of opening accrual made at the end of the preceding year Amounts accrued at the end of the current year	5,371 (6,627)
(558)	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	(1,256)
(5,371)	Balance at 31st March	(6,627)

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

16. Cash flow statement – operating activities

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

2021/22 OCC £000		Note	2022/23 OCC £000
-	Increase/(decrease) in impairment bad debts		-
23,271	Increase/(decrease) in creditors/RIA		1,613
(23,271)	Increase/(decrease) in debtors/PIA		(1,613)
-	Increase/(decrease) in inventories		-
(83,697)	Movement in pension liability		(96,653)
-	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		-
(558)	Other non-cash items charged to the net surplus or deficit on the provision of services		(1,256)
(84,255)			(97,909)

17. 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 10th July 2023. The Chief Finance Officer has not identified any events that are classified as either adjusting or non-adjusting happening between 31 March and the date the Statement of Accounts were authorised for issue.'

18. Contingent liabilities

The impact of the McCloud Judgement has been disclosed in Note 14 - of the accounts.

19. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 23, the OCC has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Whilst the funding made available to the Police and Crime Commissioner increased during 2022/23 and 2023/24 the outcome of the 2021 comprehensive spending review (SR2021) only provided a high level indication of the increase in overall grant funding for 2023/24 and 2024/25 for the service as a whole, therefore a degree of uncertainty regarding future levels of funding for the Group continues.

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

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

The PCC / CC for Leicestershire is involved in various joint arrangements with other Forces in the East Midlands which are detailed in Note 5. 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.

In December 2018 the Court of Appeal upheld a ruling (McCloud / Sargeant) that pension transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The UK government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Both the Police Pension and Local Government schemes have transitional protections in place following the introduction of Career Average Revalued Earnings (CARE) schemes. Benefits accrued since the introduction of CARE may therefore need to be enhanced so that all members, regardless of age will benefit from the protections. The clear expectation is that many more members will see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits. As there is a probable future outflow of economic benefit and a reliable estimate, using reasonable assumptions, could be made an estimate of the potential liability was included in the 2018/19 accounts as past service cost. The accounting figures for 2023 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year.

The introduction of the new Single State Pension in April 2016 disrupted the previous arrangements for ensuring that equality of benefits between males and females from public service pension schemes. To avoid this problem an interim solution was put in place by the UK Government for members reaching state pension age between the 6 April 2016 and 5 April 2020. However, it is likely that the interim solution will be continued beyond 2020 on the basis that UK and European law requires pension schemes to provide equal benefits to men and women. The actuaries have therefore been requested to provide estimates of the potential impact of the interim solution being applied to members reaching state pension age post 2020. These estimates were again been accounted for as a past service cost in the 2018/19 accounts and the pension liability at the 31st March 2023 continues to reflect the potential costs.

20. 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 38) 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.

21. Going Concern

The concept of a going concern assumes that the functions of the Chief Constable and the Force will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority accounting in the United Kingdom 2019/20) in respect of going concern reporting requirements reflect the economic and statutory environment in which police forces operate. These provisions confirm that, as police forces cannot be created or dissolved without statutory prescription, they must prepare their financial

statements on a going concern basis of accounting.

Police and Crime Commissioners and Chief Constables carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If a police force were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for the financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a police force will continue to operate for the foreseeable future.

22. 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 (including Money Markets). This list is regularly reviewed by the Chief Finance Officer of the OPCC. The banks / institutions on the OPCC/Group's lending list are carefully selected using credit ratings whilst the OPCC/Group sets a prudent maximum investment limit with each bank. All the banks are based in the United Kingdom.

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

Customer credit risk has a very low overall effect on the OPCC/Group by virtue of income from customers being equal to only 4.23% of total income (2021/22 – 4.28%). 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 assesses whether a bad debt impairment is required each year. A bad debt provision of £3k has been allowed for in 2022/23 (2021/22 – £3k).

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 19.1 – 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 10 – 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 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.

23. 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 2022/23 financial year and its position at the year-end of 31st March 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022/23* (the Code) published annually by CIPFA, supported by International Financial Reporting Standards (IFRS).

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

The 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 and do not give rise to a prior period adjustment.

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

Financial liabilities

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

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

Financial Assets

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The OPCC's / Group's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

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

A7 Provisions & Contingent Liabilities

Provisions are made where an event has taken place that gives a present (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

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave, paid sick leave for current employees and are recognised as an expense for services in the year in which the employees render service to the authority. An accrual is made for the cost of holiday entitlements (or and form leave, eg time off in lieu) earned by employees but not taken before the year-end that employees can carry forward in to the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the OCC can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Post-employment benefits

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

a) 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 is required to be transferred from the pension fund to the OPCC/Group, which then must be repaid to central government. Injury awards and the capital costs associated with ill health retirements are paid from the Comprehensive Income and Expenditure Statement.

b) 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.

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.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement
- net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) charged to the pensions reserve as other comprehensive income and expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure.
- contributions paid to the Leicestershire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the 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.

Discretionary benefits

The OCC has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. 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 Jointly controlled operations

The OCC has an interest in eleven jointly controlled operations. It is the lead accounting body for seven of these. Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the OCC/ in conjunction with other joint operators involve the use of assets and resources of those joint operators.

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 5.

A11 Events after the reporting period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the Balance Sheet date 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”.

A12 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

A13 Reserves

Certain reserves are kept to manage the accounting processes for retirement and employee benefits and do not represent usable reserves for the authority.

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:

2021/22 £000		2022/23 £000
(23,882)	Contributions receivable:	
(1,025)	OPCC/Group	
(10,246)	■ employer's contributions	(24,868)
(35,153)	■ early retirements	(553)
	■ officers' contributions	(10,696)
		(36,117)
(602)	Transfers in from other pension schemes	(195)
	Benefits payable:	
49,948	■ pensions	52,539
9,208	■ commutations and lump sum retirement benefits	9,311
1,210	■ ill-health commutations and lump sum retirement benefits	616
-	■ lump sum death benefits	569
60,366		63,035
	Payments to and on account of leavers:	
80	■ refund of contributions	123
-	■ transfers out to other police Forces	23
80		146
24,691	Net amount payable for the year	26,869
-	Additional funding Receivable from the Police Fund	-

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

31st March 2022 £000		31st March 2023 £000
2,615	Current assets	
	Contributions due from the OPCC/Group	3,563
-	Current liabilities	
	Unpaid pensions benefits	-
2,615		3,563

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 22 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 14.

Note 4

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2018/19 resulted in an increase in the employers' contribution rate from 21.3% to 31% from April 2019. The next Police Pension valuation is due to be reported in 2024/25, although this timetable is subject to change.

Employee contribution rates range between 12.05% and 15.05% dependant on the police officer's salary.

1) Scope of Responsibility

The Chief Constable (CC) of Leicestershire is responsible for the delivery of policing services 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 (CGF) was developed in 2013-14, was considered by the Joint Audit Risk and Assurance Panel (JARAP) and reviewed in March 2014 to incorporate the changes required under Stage 2 Transfer arrangements. The CGF has been reviewed and updated during 2019-20 following extensive consultation. The revised version was ratified in November 2020 and is currently being reviewed by the PCC.

3) The Governance Framework

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

- The Corporate Governance Framework;
- A Risk Management Strategy;
- An Annual Governance Statement produced by the OPCC and the OCC;
- A Regional Governance Statement;
- Ensuring that there is an effective Internal Audit function.

During 2022-23, Mazars continued as Internal Auditors for the region. Regular review and planning meetings took place which helped identify, discuss and share best practice and identify potential common audit themes.

Mazars also attended Regional CFO and Finance Director meetings to update on the progress of 2022-23 Regional Collaboration audits and the Regional Collaboration Internal Audit Plan and the proposed workplan and timescales for 2023-24.

The effectiveness of audit committees should be carried out periodically. A self-assessment effectiveness review was undertaken by the OPCC and JARAP members during 2022-23 using CIPFA guidance. The findings were reported to the JARAP at its meeting on 17 January 2023. Overall, the review concluded that the JARAP is operated in an effective manner. Moreover, External audit (Ernst & Young LLP) commented “the JARAP has improved its effectiveness.....over the past couple of years.”

The 2022-23 Internal Audit Plan was considered and approved at the JARAP meeting held on 27 April 2022. It was prepared following discussion and consideration of regional and three force audit themes, the risk register and other factors.

Mazars attended each JARAP meeting to routinely report to and provide assurance on the adequacy and effectiveness of internal control. In addition, they contribute to the Organisational Risk Board (ORB), JARAP forward plan and agenda-setting 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 Police and Crime Plan for 2021-24 which sets out the priorities for the Chief Constable to deliver against. A link to the document is contained here:

<https://www.leics.pcc.police.uk/Planning-and-Money/Police-and-Crime-Plan/Police-and-Crime-Plan.aspx>

- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan. Supported by the PCC attending the Performance Delivery Group (PDG), the Crime and Operations Effectiveness meeting as well as reviewing Performance Reports at the Corporate Governance Board;
- Comprehensive budgeting systems that seek to align resources with priorities;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action or highlight reinvestment opportunities;
- Effective risk management strategies, registers, action plans and tactics;
- A Commissioning Framework to 31 March 2023 which detailed the approach to engagement with partners and to commissioning appropriate outcomes through third party providers;
- A Commissioning Framework developed for 2021-24 to support the delivery and priorities of the Police and Crime Plan.
- Engagement in value for money benchmarking such as is conducted by Her Majesty's Inspectorate of Constabulary (HMICFRS);
- A well-researched and coherent Corporate Governance Framework that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriate statutory officers within both the OPCC and OCC, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- Codes of Conduct and standards of behaviour clearly set out in governance documents with the former being signed by the PCC;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC;
- Internal Audit team where the plan and therefore resources are directed towards risk and emerging issues; and where the plan is shaped by both the OPCC and the OCC;
- External reviews and inspections carried out by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) which inform the PCC and the CC and highlight risks and learning points in addition to good practice.
- Regular reviews and updates on Regional Collaboration are discussed at the East Midlands PCC and CC Board who meet bi-monthly.

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 CC's Chief Financial Officer also undertakes the statutory functions on behalf of the PCC.

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) Compliance with the Seven Principles set out in the CIPFA/SoLACE Framework

Principle A: Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of Law:

Both the PCC and the CC support the Corporate Governance Framework which aligns to the Code of Corporate Governance and which provides guidance on expected behaviours to ensure integrity. The Corporate Governance Framework also includes an Anti-Fraud, Bribery and Corruption Policy in addition to a Whistleblowing Policy. The JARAP receive regular updates on Fraud and Corruption and Whistleblowing arrangements in line with their annual plan. Any whistleblowing activities are investigated by the Professional Standards Department and appropriate action is taken. The Section 151 Officer and Monitoring Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements and for reporting any such instances to the PCC, CC, JARAP or Police and Crime Panel.

Detailed reviews of whistleblowing and complaints are considered by the Ethics and Transparency Panel who also undertake dip sampling of complaints.

The Police and Crime Plan outlines the PCC's commitment to ethical values and the PCC and DPCC have completed the register of interests which is contained on the PCC website. Additionally, Related Parties Disclosures are undertaken for all key staff in the OPCC and OCC.

Principle B: Ensuring openness and comprehensive stakeholder engagement

All agendas, papers and meetings of the JARAP and Ethics and Transparency Panel and the Police and Crime Panel are contained on the respective websites. All of these meetings are open to the public.

Papers, reports and decisions made by the PCC are published on the PCC website, together with consultation, details of future public events and public surveys.

Detailed financial information is included on the police force's website which details every expenditure transaction over £500

The Police and Crime Plan sets out the importance placed by the PCC on stakeholder engagement, together with his plans and approach to developing these further.

Principle C: Defining outcomes in terms of sustainable, economic, social and environmental outcomes

The PCC has produced a Police and Crime Plan which has been informed by the Strategic Policing Requirement and the result of significant consultation with the public and key stakeholders.

This plan is used to direct the resources of the PCC and the Chief Constable through the Revenue and Capital Budgets and the Commissioning Framework. It informs where resources are most needed and targets investment into priority areas.

The PCC has a Minimum Revenue Policy, a Reserves Strategy and a Treasury Management Strategy and these are all considered with the Capital Programme and Revenue budget when considering the level of precept to be set. There are regular reports to the Corporate Governance Board (CGB) to report on progress and compliance with these policies during the year.

Principle D: Determining the Interventions necessary to optimise the achievement of intended outcomes

All new areas of business are considered through the Force arrangements via the Executive Board. Business cases support proposals both at a local, regional and sub-regional level before consideration and sign off where appropriate by the PCC or CC, dependent on the values contained within the Corporate Governance Framework.

Regionally, Business Cases are considered first by the DCC Board before consideration by the CCs and PCCs, together with advice from statutory officers.

Significant decisions are documented on a Decision Record and published on the PCC website.

Principle E: Developing Capacity and Capability

The Force work closely with the College of Policing to ensure investment is maximised for officers and staff. Significant work has taken place across the region with the college in respect of the apprenticeship scheme for new recruits and further development of officers aspiring to senior ranks.

The PCC has continued to support the CC in recruiting officers and PCSO's to maintain establishment levels and ensure continued introduction of new ideas and ways of working.

Principle F: Managing Risks and Performance

Performance forms a significant part of the regular Corporate Governance Board meetings and the PCC and a representative from the OPCC attend the monthly Performance Delivery Group meetings (PDG) and the Crime and Operations Effectiveness meetings to discuss Performance at a more operational level and identify the issues and challenges.

Whilst Leicestershire have mirrored the national trend where Crime levels have increased, the PCC highlights areas of Force Performance which are of concern. He has undertaken further scrutiny in this area on a regular basis and this is also an area reviewed regularly by the Police and Crime Panel.

Both the PCC and CC have a Risk Management Policy and manage and record risks in the same manner. These risks are reviewed regularly and considered at every JARAP meeting.

There are joint policies in place for Anti-Fraud, Corruption and Bribery, together with the joint Corporate Governance Framework which sets out the financial regulations, expected processes and internal controls.

There is a shared Internal Audit Service across the region and updates on local and regional audits are considered at every JARAP meeting.

Annual reports on HR and complaints and disciplinary processes are considered by the Corporate Governance Board and the Ethics and transparency Panel, together with actions and lessons learned.

Principle G: Implementing good practices in transparency, reporting and accountability

All significant decisions of the PCC are published on the website, together with appropriate supporting documentation. The Police and Crime Plan and Commissioning Framework are also reported on and published on the website.

The PCC meets weekly with the CC to discuss key issues and challenge and scrutinise where performance is slipping or other key aspects.

The PCC attends and reports to the Police and Crime Panel who scrutinise how the PCC is holding the CC to account, consider performance, the Police and Crime Plan and other priorities.

5) Review of Effectiveness

Annual governance statement

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.

Following the election of the new Police and Crime Commissioner in May 2021, a further review of the office structure was undertaken during 2022-23.

The OPCC and OCC continued to invest in an Internal Audit programme in 2022-23 to provide assurance under the arrangements for the two corporation soles. These ensured specific local audits on:

- Core Financials
- Payroll
- Payroll Provider
- Commissioning
- Environmental Management
- Asset Management
- Complaints Management
- Workforce Planning
- Contract Management
- Partnerships
- OPCC Recruitment
- Firearms Licensing
- Digital Transformation Strategy

During 2022-23, the following collaborative audits or specific assignments were carried out:

- EMSL&D – Governance
- EMSOU – Business Continuity
- EMSOU – Risk Management
- EMSOT – Close down project
- Performance Management

In addition to a review of key controls working well and highlighting findings and recommendations, the Internal Audit reports also include an overview on sector comparisons, risk management and value for money observations.

The Mazars Internal Audit annual report covered the period 1 April 2022 to 31 March 2023 and reported to and considered by, the JARAP in July 2023. The key messages in that report are included here within this Annual Governance Statement.

The Internal Audit opinions included within their annual report for both the Police and Crime Commissioner and the Chief Constable for 2022-23 were as follows:

*“On the basis of our internal audit work, our opinion on the framework of governance, risk management, and control is **Significant** in its overall adequacy and effectiveness. This opinion is provided on the basis that the framework of governance, risk management and control is adequate and effective.”*

The basis of Mazars' opinion was as follows:

“In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance

In respect of Corporate Governance this was informed by consideration of this area through our individual assignments as well as the specific audit completed in this area. This received a satisfactory audit opinion indicating there is a basically sound system of internal control. It is noted that across the audits delivered some common recommendations related to review and update of policy, procedures or strategies a further common recommendation was developing performance indicators to ensure effective governance and oversight of areas takes place.

Risk Management

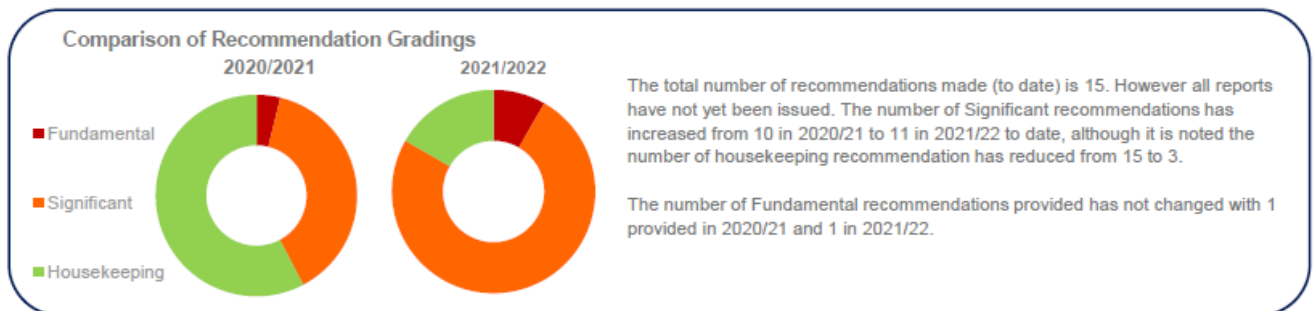
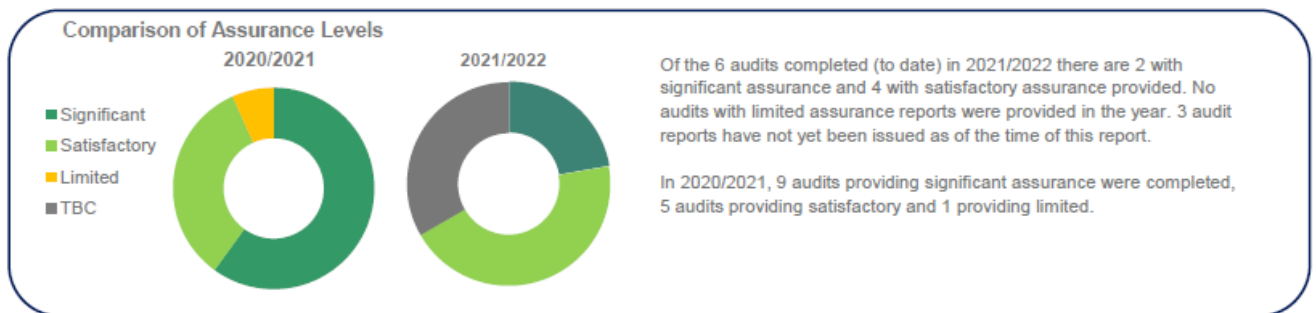
In respect of Risk while not directly assessed as part of the Plan, this was informed by consideration of this area through our individual assignments including where relevant. In addition to this our opinion was informed by consideration of risk management aspects through our individual assignments including reporting within our 'risk management' thematic as well as observing reports and discussion around the Force's and OPCC's Risk Management including the Risk Register at each JARAP meeting with no significant issues arising.

During the course of delivering the 2021/22 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

Internal Control

Of the 6 audits undertaken to date, where a formal assurance level was provided, 2 received a significant level of assurance and 4 audits received a satisfactory level of assurance. However, 3 audits are still to be finalised at time of writing (Counter Fraud, Health & Safety and IT Risk Management)

To date we have made a total of 15 new recommendations during the year at the Force and OPCC, 1 recommendation was categorised as Priority 1 with 11 recommendations categorised as Priority 2 and 3 were Priority 3.



Compliance with Professional Standards

We employed a risk-based approach to determining the audit needs of the Force & OPFC at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

In fulfilling our role, we abide by the three mandatory elements set out by the Institute of Internal Auditors. Namely, the Code of Ethics, the Definition of Internal Auditing and the Standards for the Professional Practice of Internal Auditing.

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Audit and Risk Committee. We have received positive feedback on our work from the Audit and

Risk Committee and staff involved in the audits. Moreover, we have developed enhanced performance information that is presented during each of our JARAP progress reports.

Regular planned discussions on progress against the Audit Plan have taken place with the JARAP with Performance being an item within our progress reports presented at each meeting.

Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform; we have a programme of quality measures which includes:

- *Supervision of staff conducting audit work;*
- *Review of files of working papers and reports by Managers and Partners;*
- *Annual appraisal of audit staff and the development of personal development and training plans;*
- *Sector specific training for staff involved in the sector;*
- *Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and*
- *The maintenance of the firm's Internal Audit Manual.*

External audit (Ernst & Young LLP) will issue their 'Annual Audit Letter for the year ended 31 March 2021' in August 2022 and this will be considered by the JARAP at their meeting to be held on 25 August 2022. The letter will summarise the results of their 2020-21 audit and build on the draft 'Audit Results Report', which was presented to JARAP at their meeting in April 2022.

As the Annual Audit letter has not yet been issued the details can not be included in the annual governance statement however, based on the 'Audit Results Report' is expected that:

- *An 'Unqualified' opinion will be issued on the financial statements and that they give a true and fair view of the financial position of the PCC, CC, Group and Pension Fund as at 31 March 2021 and of its expenditure for the year then ended;*
- *other information published with the financial statements is consistent with the Annual Accounts;*
- *No significant deficiencies in the design or operation of an internal control that would result in a material misstatement in the financial statements;*
- *No significant weaknesses will be identified in the PCC and CCs arrangements for securing Value for money*
- *No matters will need to be reported in the public interest;*

The JARAP meets four times during the year. The JARAP undertook a detailed work plan which included considering the work of internal and external audit, tracking of Internal Audit recommendations, risks and risk management, and specific themes. In addition, the JARAP approved an annual workplan, for 2023, reviewed their terms of reference and produced an annual report of their work.

JARAP members undertake portfolio and detailed reviews into key areas and also regularly attend pertinent meetings including regular attendance at the Strategic Health and Safety Committee.

During the year, the JARAP received or prepared a number of updates, presentations and reports on specific areas of risk or concern.

6) Significant Governance Issues and Actions

There were no formal reports issued by the S151 or Monitoring Officer during the year, outcomes of Monitoring Officer Investigations, objections from local electors or ombudsman referrals.

In 2022-23 our internal auditors, Mazars, carried out 9 audits (four still outstanding). None of the audits undertaken were given limited assurance which indicates a sound internal control environment. As a result it is concluded that there are no significant issues or actions that need to be highlighted as part of this Annual Governance Statement.

Police and Crime Plan and Resources

It was also highlighted in the previous year that the medium term financial outlook showed an anticipated deficit emerging over the life of the forecast. However, the Police Precept and Budget was agreed by the Police and Crime Panel on 2 February 2022 which demonstrated that by increasing the precept by the maximum allowed over the 3 year Comprehensive Spending Review period, and through the prudent use of reserves, the medium term financial outlook now shows a balanced position after taking into account future efficiency savings.

Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services Findings for PEEL 2021-22

HMI's report for the PEEL continuous assessment inspection for 2021-22 was published on the 28th of April 2022. A covering letter from the regional HMI and a press release accompanied the report with the following headline opening the press release:

LEICESTERSHIRE POLICE CONGRATULATED FOR OUTSTANDING PERFORMANCE

"Leicestershire Police has performed well in a challenging policing environment and has been congratulated for its outstanding performance, the police inspectorate has said".

HMI's PEEL inspection assessed how good Leicestershire Police is in ten areas of policing and they made graded judgments in nine of the following as follows:

- **Providing a service to the victims of crime** - HMI no longer make graded judgements in this overall area. However, HMI state – "while this assessment is ungraded, it influences graded judgements in the other areas we have inspected"
- **Recording data about crime** **OUTSTANDING**
- **Engaging with and treating the public with fairness and respect** **GOOD**
- **Preventing crime and anti-social behaviour** **OUTSTANDING**
- **Responding to the public** **ADEQUATE**
- **Investigating Crime** **ADEQUATE**
- **Protecting vulnerable people** **OUTSTANDING**
- **Managing Offenders and Suspects** **GOOD**
- **Building Supporting and Protecting the Workforce** **GOOD**
- **Strategic Planning & Organisational Development** **GOOD**

INNOVATION – Importantly, 8 Areas of 'Innovative Practice' were identified by HMI inspectors, which is one of the highest currently [June 2022 - 15 forces results published so far].

- Disrupting Serious and Organised Crime SOC – Very positive de-brief received from Her Majesty's Inspectorate. Final grade yet to be confirmed and published later in 2022.

Key Highlights reported so far 2021-22 by Her Majesty's Inspectorate of Constabulary:

1. *The force has significantly improved on its PEEL performance grades last awarded in 2018-19 in which the force received Good grades for each pillar of the PEEL; resulting in an overall GOOD grade [inspections were suspended during 2020-21].*

For the 2021-22 PEEL the force has so far received the following step-change in recognised performance:

- a. **3 Outstanding grades**
- b. **4 Good grades**
- c. **2 Adequate grades**

2. *Areas of notable improvement include:*

The Office of the Chief Constable for Leicestershire

- a. **Compliance in relation to Crime Data recording [Crime Data Integrity CDI];**
- b. **Preventing crime and anti-social behaviour and importantly the**
- c. **Protection of Vulnerable People PVP.**

3. *Leicestershire Police are:*

- a. *the only force so far [June 2022] awarded 'Outstanding' for Protecting Vulnerable People PVP;*
- b. *one of the forces with the lowest number of Areas for Improvement identified by HMI*
- c. *one of the forces with the highest number of 'innovations' identified by HMI*
- d. *As predicted, Leicestershire is on a par with West Yorkshire Police; a metropolitan force that receives a significantly larger budget settlement.*
- e. *As the PEEL grades are published it is anticipated that Leicestershire Police will be recognised both nationally and within its Most Similar Forces MSF group as one of the best performing police forces in the country.*

4. The full inspection report can be found at the following link: [LINK](#)

High priority strategic risks

At the end of March 2023, the Strategic Risk Register highlighted 13 strategic risks relating to the OCC and 14 strategic risks relating to the OPCC that were judged to be high priority. They were:

OCC

- The Financial Challenge - 2022/23 – 2025/26
- Capacity within I.T. to support and enable digital transformation
- Risk to network storage
- Inability to meet regional Occupational Health demand
- Churn of staff and ongoing establishment pressure
- Current JES non-equalities compliant and the implementation of new JES scheme carries risk
- Estates Department not being able to support essential building services
- Loss of IT functionality due to overheating at Euston Street
- Risk of cyber attack
- Removal, retention and deletion of data in Digital Hub
- Lack of PIP 2 detectives
- Complying with Home Office Counting Rules & ensuring high levels of crime data integrity
- Risk associated with the transition to an alternatively fuelled fleet

OPCC

- Failure to meet the General Data Protection Regulations (GDPR)
- Economic impact of the current foreign political unrest
- The Financial Challenge - 2022/23 – 2025/26
- Failure to follow leavers process
- Delays in service provision due to pressures on the Commissioning and Procurement teams leading to delays in the tendering process, reputational issues
- Risk of Cyber Attack
- Partnership Relationships deteriorate as a result of a change in strategic direction
- Impairment of the wellbeing of staff caused by external factors
- Police and Crime Plan commitments not delivered
- Insufficient funding to maintain Programme Sustainability
- Impact on public trust and confidence arising from national negative national coverage
- Delayed recruitment of OPCC Staff
- Provider failure or poor performance

All of these risks are being managed through the Organisational Risk Board (ORB), OPCC SMT Meetings and the JARAP, with exception performance reporting to the Strategic Performance Delivery Board (SPDB) and where necessary the Force Executive Group.

Conclusion

This document highlights the main areas of assurance that are in place for the OPCC as well as highlighting particular issues that have been raised through internal audit reports, external audit reports, the strategic risk registers and the external inspections that have been carried out by HMICFRS. It is intended to provide assurance that the overall arrangements in place are sound whilst highlighting some areas that do require further management action. These will be monitored closely over the next financial year.

Rob Nixon
Chief Constable
Xxxxxx 2023

Paul Dawkins
Chief Finance Officer
Xxxxxx 2023



ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION 2022/23

I confirm that the relevant controls and procedures are in place to manage the following issues within the East Midlands Special Operations Unit, which includes the Regional Organised Crime Unit, Major Crime, Forensic Services, Counter Terrorism Policing East Midlands, and Legal Services.

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. Exceptions are reported to the East Midlands Police & Crime Commissioners and Chief Constables' (EMPCC/CC) Board on a quarterly basis, with full performance reports reported twice a year.

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

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/CC's Board which defines the expenditure targets for each area of policing within EMSOU. 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/CC's Board. Quarterly monitoring 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/CC'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 23/5/23.

Paul Gibson
Deputy Chief Constable (East Midlands)

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR LEICESTERSHIRE

Opinion

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XXXXXXXXXX

*The maintenance and integrity of the Chief Constable of Leicestershire's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

Accounting policies

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

Accrual

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

Actuarial gain/loss

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

Actuarial Valuation

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

Amortisation

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

Budget

A statement of the 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.

Commutated 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.

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).

LASAAC

Local Authority (Scotland) Accounts Advisory Committee

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).