

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

**Annual Financial Report**

**2016/17**

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# **Narrative Report by the Chief Finance Officer**

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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 31<sup>st</sup> March 2017.

The accounts for 2016/17 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 (OPCC) and at the same time the CC was established as a separate body and made responsible for the Leicestershire Police Service.

The CC of Leicestershire is responsible for the delivery of 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.

These are the fifth statutory accounts to be prepared under the new arrangements. For accounting purposes the OPCC and the OCC together are known as the OPCC group. A separate set of statutory accounts has been published for the OPCC and the OPCC Group to recognise all the financial transactions incurred during 2016/17 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 2016/17.

All of the assets, liabilities and reserves were transferred to the OPCC during the first phase of transition and have remained under the OPCC's control during 2016/17. The OPCC receives all income and funding and makes all payments for the Group from the OPCC Police Fund.

The second phase of transition took place on the 1<sup>st</sup> April 2014 when the employment of 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 2016/17 Financial Statements has been amended to reflect the new reporting formats introduced by the 'Code'. 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 2016/17. This shows the unusable reserves held by the Chief Constable.

### Comprehensive Income and Expenditure Statement

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

### Balance Sheet

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

### Cash Flow statement

This statement shows the movement in cash and cash equivalents of the OCC during the reporting period. Whilst the OCC does not hold cash or cash equivalents on its balance sheet, it does have transactions within its comprehensive income and expenditure statement that require disclosure within the 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 an easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the OCC's financial position.

### Statement of responsibilities

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

### Annual governance statement

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

### Overview of 2016/17

As has been the case for several years, the funding regime for the public sector continued to be challenging. However, the police service was protected from significant budget reductions in the Comprehensive Spending Review (CSR) 2015 and the 2016/17 grant settlement was better than anticipated with only a 0.5% reduction being applied to the Police Grant.

However, as in previous years the formula devised to allocate grant according to need was not fully implemented, with the result being that the service has lost grant to which it is otherwise entitled under full application of the formula.

For 2016/17 the Government announced that there would be no additional council tax freeze grant for policing bodies who did not increase their rate of council tax and the CSR encouraged PCCs to maximise their precept increases to 1.99%.

The precept was increased by 1.99% to £183.58 for Band D property.

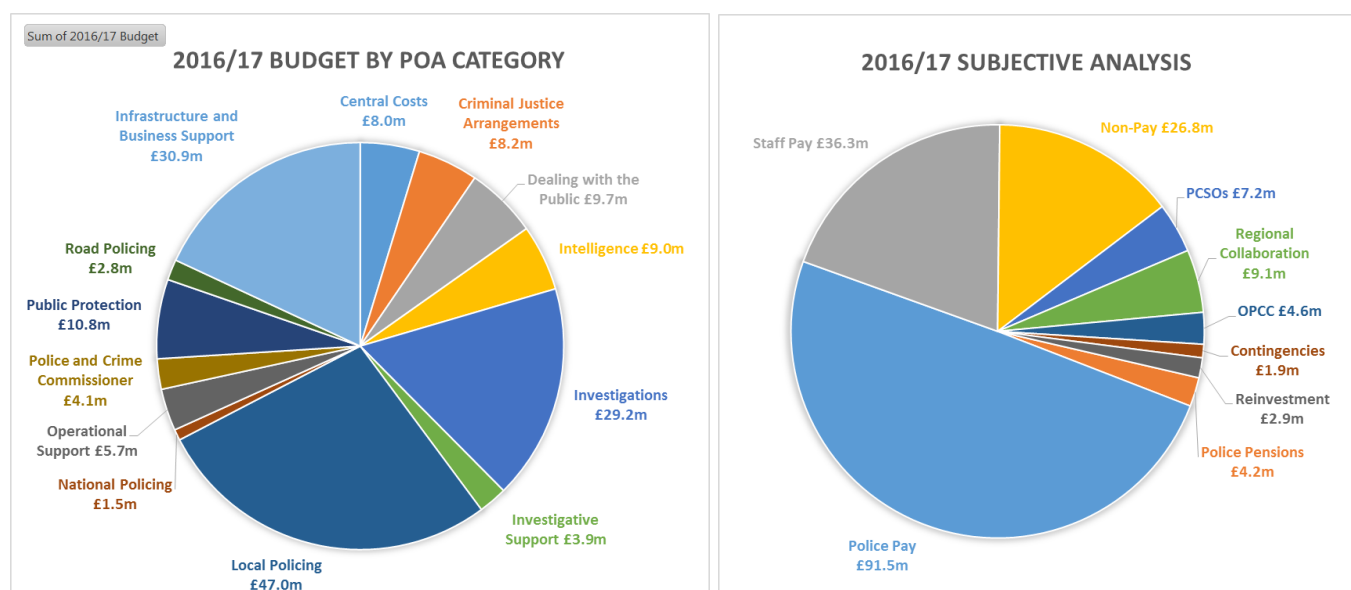
The OPCC sets the annual budget for the OCC in consultation with the CC. A net annual revenue budget of £170.8m was set for the service as a whole, after planning to make further efficiency savings during the year of £0.6m. £166.2m was managed by the CC with the remaining £4.6m relating to the costs of the OPCC (£1.1m) and commissioning activities (£3.5m).

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

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

# Narrative Report by the Chief Finance Officer

The graphs below demonstrate how the budget was allocated to operational activities and by type of expenditure. 69% of the budget is spent on officers and police staff.



## Performance against budget

The Office of the Chief Constable for Leicestershire underspent its 2016/17 budget by £3k or 0.002%. This was attributable to:

- an underspend on police pay and allowances of £0.097m due to an increased number of officers seconded to the region and out of Force together with savings in police allowances.
- an overspend on corporate budgets of £0.366m due to legal costs, investment in equipment (including body-worn video and a provision for Taser) and other Force priorities/pressures, offset by savings of £1.160m on capital pension costs due to fewer ill-health retirements than expected.
- a net underspend of £0.369m on delegated activities as a result of savings from creation of the Tri-Force command team, staff vacancies (particularly in CMD) and higher than anticipated income for seized vehicles.

As the resources are consumed by the OPCC at the request of the OCC the revenue underspend occurs in the OPCC/Group accounts and the residual underspend has been transferred to the Budget Equalisation Reserve.

## Operational Performance

The PCC's primary role is to hold the Chief Constable to account. The Force operates a comprehensive performance framework to ensure that it is meeting its objectives and supporting the PCC in the delivery of the Police and Crime Plan. However, this is set against cuts in central government funding, considerable policing risks and increasing levels of demand being managed by a much smaller organisation.

The table below demonstrates the Forces performance from 2012/13 to 2016/17.

## Narrative Report by the Chief Finance Officer

Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	2016/17	% change 2012-2016
Domestic Violence with Injury	1583	1759	1830	1555	2258	42.64%
Domestic Violence without Injury	2303	2432	2462	3508	4837	110.03%
<b>Total</b>	<b>3886</b>	<b>4191</b>	<b>4292</b>	<b>5063</b>	<b>7095</b>	<b>82.58%</b>
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	2016/17	% change 2012-2016
Rape	250	367	437	496	520	108.00%
Other Serious Sexual Offences	492	510	622	655	772	56.91%
<b>Total</b>	<b>742</b>	<b>877</b>	<b>1059</b>	<b>1151</b>	<b>1292</b>	<b>74.12%</b>
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	2016/17	% change 2012-2016
Hate Crime	930	862	1013	840	1164	25.16%
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	2016/17	% change 2012-2016
Domestic Burglary	3935	4199	4050	4314	4412	12.12%
Non-domestic Burglary	3372	4113	3889	3680	3930	16.55%
<b>Total</b>	<b>7307</b>	<b>8312</b>	<b>7939</b>	<b>7994</b>	<b>8342</b>	<b>14.16%</b>
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	2016/17	% change 2012-2016
Theft from a Motor Vehicle	5236	5396	5767	6387	6785	29.58%
Theft of a Motor Vehicle	1051	1114	1347	1433	1485	41.29%
<b>Total</b>	<b>6287</b>	<b>6510</b>	<b>7114</b>	<b>7820</b>	<b>8270</b>	<b>31.54%</b>
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	2016/17	% change 2012-2016
All Crime	58878	60752	59107	60638	68706	16.69%
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	2016/17	% change 2012-2016
ASB	23223	23984	20732	17351	19215	-17.26%
Recorded Crime Levels	2012/13	2013/14	2014/15	2015/16	2016/17	% change 2012-2016
Violence Against the Person (with injury)	4365	5052	4884	4221	5728	31.23%
Violence Against the Person (without injury)	5736	5759	5961	8141	10366	80.72%
<b>Total</b>	<b>10101</b>	<b>10811</b>	<b>10845</b>	<b>12362</b>	<b>16094</b>	<b>59.33%</b>

## HMIC PEEL Inspection

During 2016/17 all Forces were subject to a PEEL (Police Effectiveness Efficiency and Legitimacy) inspection by Her Majesty's Inspectorate of Constabulary. Three separate reports were issued and can be viewed on the HMIC website.

The overall judgements were:

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

The judgments from the reports were:

### Effectiveness

"...The force is effective in some important areas of activity, such as neighbourhood policing and tackling serious and organised crime. However, some areas of weakness remain that were identified in HMIC's 2015 effectiveness inspection. We found considerable inconsistencies in how well the force investigates crime and how effectively it protects those who are vulnerable and supports victims, particularly for crimes involving domestic abuse".

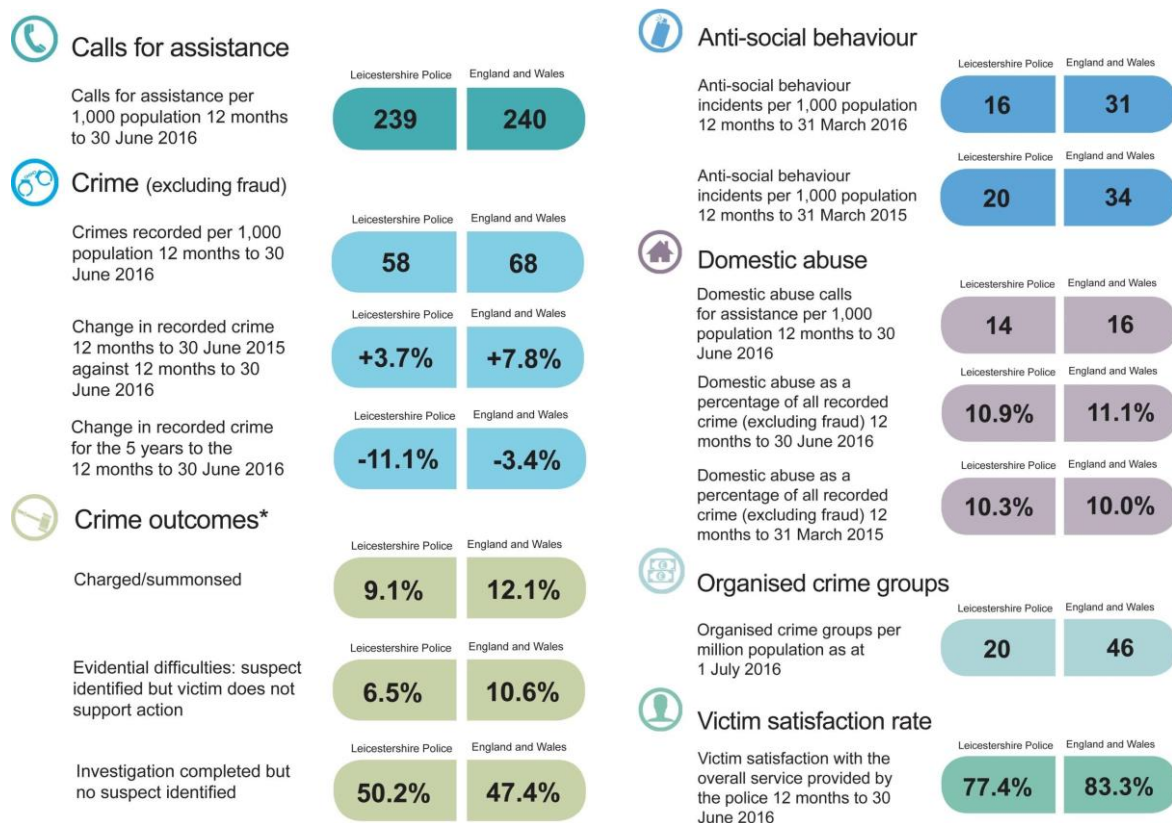
### Efficiency

"...The force has a good understanding of current demand for its services, but could do more to understand likely future demand. It uses its resources well to manage current demand, reallocating some resources to high-priority areas such as public protection. The force has a good track record of reducing costs and reinvesting in high priority areas, and collaborates well with other forces and organisations in the region. It works hard to increase its efficiency and improve the service it provides".

### Legitimacy

"...The force is committed to treating the public with fairness and respect, and it seeks and acts on feedback. However, the force needs to improve its capacity to understand risks to the integrity of the organisation. The force treats its workforce fairly with respect and supports their wellbeing."

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





## 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.

£5.2m was spent on improving the buildings stock, investing in information technology, operational equipment and the vehicle fleet. The capital projects undertaken include the major refurbishment at Beaumont Leys Police Station, remodelling of existing office/work space to support the Force's 'agile working' programme, enhancements to existing IT systems, alongside a significant investment in mobile technology to support new ways of working and a range of infrastructure developments to support both local and regional collaborative working.

During 2016/17, Welford Road Police Station was disposed of as part of the Force's overall estates strategy and replaced with a neighbourhood office. Coalville Police Station was held for sale as at the 31<sup>st</sup> March 2017 and this disposal should be concluded during 2017/18, following the colocation of the Police with the Fire Service.

## Retirement Benefits

Accounting for Retirement Benefits in the 2016/17 Statement of Accounts has resulted in a pension liability of £2,221m compared to £1,750m in 2015/16. The increase in the liability is primarily due to the actuarial losses arising from changes in the financial assumptions. The discount rate is based on corporate bond yields, which have fallen during the year.

The police officer pension scheme liability is £2,130m with the balance relating to the Local Government Pension Scheme (LGPS).

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

## Outlook for 2017/18

As has been the case for several years, the funding regime for the public sector continues to be challenging. Whilst, the police service was protected from significant budget reductions in the Comprehensive Spending Review (CSR) 2015 the police service is not exempt from the need to identify savings to balance the budget in future years.

Leicestershire Police continues to face new risks in respect of the changing nature of crime and increasing levels of demand. The force continues to work with partners to understand how cuts in other public service budgets could potentially impact on Force demand.

Against this background, the PCC set the 2017/18 net revenue budget of £169.1m for the OCC. (before the use of reserves) for the provision of policing services. Formula grant reduced by 1.4% in 2017/18. A precept of £187.23 for a Band D property was approved, an increase of 1.99% over the previous year.

The budget provides for an investment in 8 additional police officers for 2017/18 to increase visibility in local neighbourhoods offset by identified savings and an in year efficiency target of £0.452m.

Although indications were provided of the total Police Settlement for the CSR period, details of individual PCC revenue allocations are only provided on an annual basis. The availability of only one year's figures, the outcome of the review of the funding allocation formula and the changing demands of policing does make medium term financial planning more uncertain. However, it is currently projected that by 2021/22 the Force is likely to have a financial shortfall in the region of £10.3m, which will inevitably impact on the policing service we deliver to the public.

## **Narrative Report by the Chief Finance Officer**

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Whilst the PCCs in Leicestershire, Nottinghamshire and Northamptonshire decided not to proceed with the Strategic Alliance, the PCCs continue to work closely together to progress collaborative opportunities in the areas of Human Resources, Information Technology and Finance.

The PCC is supporting the Chief Constable with developing a Change Programme to meet both the policing and financial challenges in future years that limits, where possible, the impact on visible policing.

In June 2016, the United Kingdom voted to leave the European Union. At this stage the impact of this decision remains uncertain and this will take some considerable time to assess at a national, regional and local level. At this stage the impact on Leicestershire Police cannot be assessed with any accuracy.

**Paul Dawkins**  
**Chief Finance Officer**  
**19th September 2016**

### ***The Chief Constable's responsibilities***

The CC is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this OCC, that officer is the Chief Finance Officer
- approve the statement of accounts

### ***Chief Constable's approval***

The Statement of Accounts for the year to 31<sup>st</sup> March 2017 has been prepared and was approved at the Joint Audit Risk Assurance Panel (JARAP) on XXth September 2017.

### ***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 31<sup>st</sup> March 2017.

**Paul Dawkins**  
**Chief Finance Officer**  
**XXth September 2017**

## ***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.

2015/16					2016/17		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
194,922	(15,623)	179,299	Policing Services	2	191,968	(18,238)	173,730
75	-	75	Corporate & Democratic Core	2	82	-	82
(628)	-	(628)	Non-Distributed Costs	14	132	-	132
<b>194,369</b>	<b>(15,623)</b>	<b>178,746</b>	<b>Cost of services</b>		<b>192,182</b>	<b>(18,238)</b>	<b>173,944</b>
	(194,724)	(194,724)	Intra Group Transfer		-	(189,242)	(189,242)
58,423	-	58,423	Financing and investment income & expenditure	3	60,518	-	60,518
<b>252,792</b>	<b>(210,347)</b>	<b>42,445</b>	<b>(Surplus) or deficit on provision of services</b>		<b>252,700</b>	<b>(207,480)</b>	<b>45,220</b>
		(141,758)	Actuarial (gains) / losses on pension assets/liabilities	13			426,817
		<b>(141,758)</b>	<b>Other comprehensive income &amp; expenditure</b>				<b>426,817</b>
		<b>(99,313)</b>	<b>Total comprehensive income &amp; expenditure</b>				<b>472,037</b>

## Balance Sheet

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

31 <sup>st</sup> March 2016 £000		Note	31 <sup>st</sup> March 2017 £000
	<b>Non-current assets</b>		
57	Long term debtors	9	50
<b>57</b>	<b>Total long term assets</b>		<b>50</b>
	<b>Current assets</b>		
331	Short term debtors	9	323
3,402	Inter – Group Debtor		2,859
<b>3,733</b>			<b>3,182</b>
	<b>Current liabilities</b>		
(7,233)	Short term creditors	10	(6,969)
<b>(7,233)</b>			<b>(6,969)</b>
<b>(3,500)</b>	<b>Net current assets</b>		<b>(3,787)</b>
	<b>Long term liabilities</b>		
(1,749,263)	Liability related to defined benefit pension schemes	14	(2,221,006)
<b>(1,749,263)</b>			<b>(2,221,006)</b>
<b>(1,752,706)</b>	<b>Net assets / (liabilities)</b>		<b>(2,224,743)</b>
1,752,706	Unusable reserves	12	2,224,743
<b>1,752,706</b>	<b>Total reserves</b>		<b>2,224,743</b>

### Re-certification

The financial statements on pages 1 to XX were issued on XXth June 2017 and the audited accounts were authorised for issue on XXth September 2017

## 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.

2016 / 17	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2016</b>	-	-	-	-	-	1,752,706	1,752,706
<b>Movement in reserves during 2016/17</b>							
Surplus or deficit on the provision of services	45,220	-	-	-	45,220	-	45,220
Other Comprehensive Income and Expenditure		-	-	-	-	426,817	426,817
<b>Total Comprehensive Income and Expenditure</b>	<b>45,220</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,220</b>	<b>426,817</b>	<b>472,037</b>
Adjustments between accounting basis and funding basis under regulations	(45,220)	-	-	-	(45,220)	45,220	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>472,037</b>	<b>472,037</b>
Transfers to/from Earmarked Reserves			-	-	-	-	-
<b>Increase or Decrease in 2016/17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>472,037</b>	<b>472,037</b>
<b>Balance at 31 March 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,224,743</b>	<b>2,224,743</b>

2015/16	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2016</b>	-	-	-	-	-	1,852,019	1,852,019
<b>Movement in reserves during 2016/17</b>							
Surplus or deficit on the provision of services	42,445	-	-	-	42,445	-	42,445
Other Comprehensive Income and Expenditure		-	-	-	-	(141,758)	(141,758)
<b>Total Comprehensive Income and Expenditure</b>	<b>42,445</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,445</b>	<b>(141,758)</b>	<b>(99,313)</b>
Adjustments between accounting basis and funding basis under regulations	(42,445)	-	-	-	(42,445)	42,445	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(99,313)</b>	<b>(99,313)</b>
Transfers to/from Earmarked Reserves			-	-	-	-	-
<b>Increase or Decrease in 2016/17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(99,313)</b>	<b>(99,313)</b>
<b>Balance at 31 March 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,752,706</b>	<b>1,752,706</b>

## 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.

2015/16 £000		Note	2016/17 £000
42,445	<b>Net (surplus) or deficit on the provision of services</b>		45,220
(42,445)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	16.1	(45,220)
-	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		-
-	<b>Net cash flows from operating activities</b>		-
-	Investing activities		-
-	Financing activities		-
-	<b>Net (increase) or decrease in cash and cash equivalents</b>		-
-	Cash and cash equivalents at the beginning of the reporting period		-
-	<b>Cash and cash equivalents at the end of the reporting period</b>		-

## 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.

2016/17	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
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)	(44,926)			44,926
Holiday pay (transferred to the Accumulated Absences reserve)	(294)			294
<b>Total Adjustments</b>	<b>(45,220)</b>	<b>-</b>	<b>-</b>	<b>45,220</b>

2015/16	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
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)	(42,222)			42,222
Holiday pay (transferred to the Accumulated Absences reserve)	(223)			223
<b>Total Adjustments</b>	<b>(42,445)</b>	<b>-</b>	<b>-</b>	<b>42,445</b>



## 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.

2015/16			<b>CC</b>	2016/17		
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		£000	£000	£000
163,922	15,377	179,299	Policing Services	163,742	9,988	173,730
75	-	75	Corporate & Democratic Core	82	-	82
-	-	-	Commissioning	-	-	-
-	(628)	(628)	Non-Distributed Costs	-	132	132
<b>163,997</b>	<b>14,749</b>	<b>178,746</b>	<b>Net Cost of Services</b>	<b>163,824</b>	<b>10,120</b>	<b>173,944</b>
(163,997)	27,696	(136,301)	Other Income and Expenditure	(163,824)	35,100	(128,724)
-	<b>42,445</b>	<b>42,445</b>	<b>Surplus or Deficit on Provision of Services</b>	-	<b>45,220</b>	<b>45,220</b>
-			Opening Combined General Fund Balance	-		
-			Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	-		
-			Transfers to/from other Reserves	-		
-			<b>Closing Combined General Fund Balance</b>	-		

### 2.1 Note to Expenditure and Funding Analysis

	2016/17				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	2,582	8,680	(1,274)	-	9,988
Corporate & Democratic Core	-	-	-	-	-
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	132	-	-	132
<b>Net Cost of Services</b>	<b>2,582</b>	<b>8,812</b>	<b>(1,274)</b>	<b>-</b>	<b>10,120</b>
Other Income and Expenditure	(2,582)	36,114	1,568	-	35,100
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>-</b>	<b>44,926</b>	<b>294</b>	<b>-</b>	<b>45,220</b>

## Notes to the core financial statements

	2015/16				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	2,880	13,807	(1,310)	-	15,377
Corporate & Democratic Core	-	-	-	-	-
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	(628)	-	-	(628)
<b>Net Cost of Services</b>	<b>2,880</b>	<b>13,179</b>	<b>(1,310)</b>	<b>-</b>	<b>14,749</b>
Other Income and Expenditure	(2,880)	29,043	1,533	-	27,696
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>-</b>	<b>42,222</b>	<b>223</b>	<b>-</b>	<b>42,445</b>

### 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.

2015/16 Outturn £000		Note	2016/17 Outturn £000
98,516	Police officer pay and allowances	14	97,715
47,352	Police staff pay and allowances		47,737
3,576	Police pensions		3,025
13,767	IAS 19 Current Cost Adjustment (pensions)		8,680
763	Other employees expenses		1,189
4,788	Premises		4,566
3,004	Transport		3,516
13,795	Supplies and services		14,153
3,989	Agency and contracted services		7,082
<b>189,550</b>	<b>Total Expenses</b>		<b>187,663</b>

2015/16 £000	Grant Income	2016/17 £000
	<b>Credited to services:</b>	
(2,349)	Dedicated security grant	(2,390)
(841)	Special operations	(548)
(563)	Innovation Grant	(288)
(364)	Proceeds of Crime Act	(330)
(668)	JCOs (EMSOU, FSS & EMOPSS)	(1,024)
(226)	Others	(298)
<b>(5,011)</b>	<b>Total</b>	<b>(4,878)</b>

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

### 3. *Financing and investment income & expenditure*

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

2015/16 Outturn £000		Note	2016/17 Outturn £000
58,423	Pensions net interest cost	14	60,518
<b>58,423</b>			<b>60,518</b>

## 4. Officers' remuneration

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

2016/17	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£ Note 1	£ Note 2	£	£
<b>The Office of the CC</b>							
Chief Constable		144,171	-	4,540	7,167	30,530	186,408
Deputy Chief Constable 1		118,938	-	3,225	5,430	25,334	152,927
Assistant Chief Constable			-				
Senior Police Officer J	6	108,654		3,423	5,027	22,922	140,026
Senior Police Officer K	6	74,843	213	2,650	6,027	14,098	97,831
Senior Police Officer L	6	21,506	-	744	1,108	4,561	27,919
Senior Police Officer M	7	14,775	-	352	812	3,147	19,086
Finance Director	5	95,731	-	-	5,435	17,249	118,415
Director of Human Resources	5	94,955	-	-	5,494	17,363	117,812
		673,573	213	14,934	36,500	135,204	860,424

**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 (dependent 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** – No Compensation payments for the loss of office have been made during 2016/17.

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

**Note 6** - ACC posts – 1 ACC works in Leicestershire and the Force part funds a second regional collaboration role The 3 officers (J,K,L) covered the 2 roles during 2016/17.

**Note 7** – Senior Police Officer M (ACC rank) commenced in role 4<sup>th</sup> April 2016 to 29<sup>th</sup> May 2016 on a annualised salary of £97,563. The costs of this post are shared by the 5 East Midland forces.

## Notes to the core financial statements

2015/16	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£ Note 1	£ Note 2	£	£
<b>The Office of the CC</b>							
Chief Constable		142,743	326	4,540	5,430	30,404	183,443
Deputy Chief Constable 1 (until 26/07/15)		37,452	-	6,935	-	-	44,387
Deputy Chief Constable 2 (wef 26/07/15)		80,308	-	2,193	3,626	17,156	103,283
Assistant Chief Constable							
Senior Police Officer I (until 25/07/15)		31,539	-	1,032	129	6,667	39,367
Senior Police Officer J		101,371	-	3,423	5,027	21,592	131,413
Senior Police Officer K (from 02/11/15)		39,980	294	1,397	2,081	7,399	51,151
Finance Director		92,853	-	-	5,435	16,435	114,723
Director of Human Resources		94,404	-	-	5,494	16,710	116,608
		620,650	620	19,520	27,222	116,363	784,375

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

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

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

**Note 4** - No Compensation payments for the loss of office have been made during 2015/16

## 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 £		2015/16	2016/17
		number of employees	number of employees
50,000 to 54,999		6	2
55,000 to 59,999		4	3
60,000 to 64,999		1	2
65,000 to 69,999		5	6
70,000 to 74,999		2	2
75,000 to 79,999		-	1
80,000 to 84,999		3	3
85,000 to 89,999		5	2
90,000 to 94,999		-	-
95,000 to 99,999		-	-
155,000 to 160,000		-	-

- The bandings only include the remuneration of employees and relevant police officers who have not been disclosed individually. I.e. above the rank of Superintendent.
- One of the above posts is a National position which is funded by the Home Office.
- Leicestershire OPCC is the lead employer for the following regional teams; East Midlands Special Operations Unit, East Midlands Collaborative Human Resources Service (EMCHRS) Learning & Development and Occupational Health and the Regional Collaboration Team, six of the police staff employees and one police officers included in the table above work in these regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.
- From July 2016 the Head of HR post was shared between Leicestershire, Nottinghamshire and Northamptonshire. Leicestershire only meets its share of the costs (35.53%) with the remainder being funded by the other 2 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 £	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	5	4	5	9	10	13	62,397	121,032
£20,001 - £40,000	1	-	-	4	1	4	25,472	93,315
£40,001 - £60,000	-	1	-	1	-	2	-	111,797
£60,001 - £80,000	-	1	-	-	-	1	-	70,351
£80,001 - £100,000	-	-	-	-	-	-	-	-
<b>total</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>14</b>	<b>11</b>	<b>20</b>	<b>87,869</b>	<b>396,495</b>

The CC terminated the contracts of a number of employees in 2016/17, incurring liabilities of £396k (£88k in 2015/16). The £396k is payable to staff from a number of departments as part of the ongoing savings strategy. Leicestershire Police is the lead employer for a number of regional teams. Five of the Police Staff employees included in the table above worked as part of one of these teams and Leicestershire has therefore only met its share of the £123k with the remainder being funded by the other regional Forces.

## 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	All 5 Forces	23.00 %	Leicestershire
EM Major Crime	All 5 Forces	23.00 %	Leicestershire
EM Technical Support Unit	All 5 Forces	23.00 %	Leicestershire
EM Forensics	All 5 Forces	23.00 %	Derbyshire
EM Criminal Justice	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.41 %	Lincolnshire
EM Operational Support Service	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.41 %	Lincolnshire
EM Legal Services	All 5 Forces	23.00 %	Derbyshire
EM Occupational Health	All 5 Forces	23.00 %	Leicestershire
EM Learning & Development	Leicestershire, Nottinghamshire, Northamptonshire and Derbyshire	26.40 %	Leicestershire
EM HR Shared Service Centre	Leicestershire & Derbyshire	51.34%	Derbyshire
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

2015/16 £000		2016/17 £000
2,356	Police pay & allowances	1,378
3,863	Police Staff pay & allowances	3,738
185	Other employees expenses	192
72	Premises	65
684	Transport	264
1,156	Supplies & services	755
28	Agency & contracted services	2,736
(669)	Income from Government Grants	(1,024)
(293)	Income from Fees & charges	(207)
(7,714)	Funding provided to the pooled budget	(8,115)
-	Revenue Expenditure Funded from Capital Resources	1
129	Depreciation & Amortisation	240
136	(Surplus / Deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	3
<b>(67)</b>	<b>Cost of Services</b>	<b>26</b>
1	Gains / Losses on disposal of non-current assets	23
19	Gains / Losses on disposal of non-current assets held for sale	
(84)	Capital Grants & Contributions	(304)
<b>(131)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(255)</b>
(12)	(Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)	24
<b>(143)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(231)</b>

## 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 & Crime Commissioner sets the policing plan in consultation with the Chief Constable. The OPCC then provides resources to the OCC such that the requirements of that policing plan may be satisfied.

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

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 2016/17 the OCC incurred the following fees relating to external audit.

2015/16 £000	Costs	2016/17 £000
15	External audit services	15
15	<b>Total</b>	<b>15</b>

## 8. Leases

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

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

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



## 9. Debtors

### 9.1 Long-Term Debtors

At the balance sheet date 13 car loans to employees were outstanding (2015/16 - 17). 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 2016 £000		31st March 2017 £000
	<b>Short-term debtors</b>	
34	Central government bodies	39
24	Local authorities	17
273	Other Entities & Individuals	267
<b>331</b>		<b>323</b>

## 10. Creditors

31st March 2016 £000		31st March 2017 £000
	<b>Short-term creditors</b>	
(2,837)	Central government bodies	(3,232)
(129)	Police forces & Local authorities	-
(4,267)	Other Entities & Individuals	(3,737)
<b>(7,233)</b>		<b>(6,969)</b>

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.

31 <sup>st</sup> March 2016 £000		Note	31 <sup>st</sup> March 2017 £000
1,749,263	Pension reserve	13	2,221,006
3,443	Accumulated absences account	15	3,737
<b>1,752,706</b>	<b>Total unusable reserves</b>		<b>2,224,743</b>

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.

2015/16 £000		Note	2016/17 £000
<b>1,848,799</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>1,749,263</b>
(141,758)	Actuarial gains or losses on pensions assets and liabilities		426,817
68,265	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	70,431
(26,043)	Employer's pensions contributions and direct payments to pensioners payable in the year	1	(25,505)
-	Impact of intra-group split of pension liabilities		-
<b>1,749,263</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>2,221,006</b>

Note 15 – 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. In previous years a small share of the Local Government Pension Scheme (LGPS) has been shown under the OPCC. From 2016/17 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.

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

**The Police Pension Scheme** for police officers is an unfunded single employer defined benefit scheme. This means that there are no investment assets built up to meet the pensions' liabilities and cash has to be generated to meet actual pensions' payments as they fall due.

from the 1<sup>st</sup> 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 2016/17 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 31<sup>st</sup> March 2006) the *2006 scheme* (Final Salary) which is based on a maximum pensionable service of 35 years (closed to new entrants on the 31<sup>st</sup> March 2015)
- the *2015 (CARE) scheme* which was available to new entrants from the 1<sup>st</sup> 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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000	£000	£000
<b>Cost of services:</b>						
Current service cost	10,318	8,715	29,492	25,470	39,810	34,185
Past service cost	24	132	-	-	24	132
(Gain) / loss from settlements	(652)	-	-	-	(652)	-
	9,690	8,847	29,492	25,470	39,182	34,317
<b>Other Operating Expenditure:</b>						
Funding from OPCC	-	-	(29,340)	(24,404)	(29,340)	(24,404)
<b>Financing &amp; investment income/expenditure:</b>						
Net Interest cost	3,296	2,206	55,127	58,312	58,423	60,518
<b>Other</b>						
Impact of intra-group split of pension liabilities	-	-	-	-	-	-
<b>Net charge to surplus / deficit on provision of services</b>	<b>12,986</b>	<b>11,053</b>	<b>55,279</b>	<b>59,378</b>	<b>68,265</b>	<b>70,431</b>
<b>Other comprehensive income &amp; expenditure:</b>						
Return on Plan Assets (excluding the amount included in the net interest expense)	3,718	(29,943)	-	-	3,718	(29,943)
Actuarial (gains)/losses on changes in demographic assumptions	-	(2,412)	-	-	-	(2,412)
Actuarial gains and losses arising on changes in financial assumptions	(48,234)	61,283	(95,331)	401,303	(143,565)	462,586
Impact of intra-group split of pension liabilities	-	-	-	-	-	-
Other (if applicable)	(1,911)	(3,414)	-	-	(1,911)	(3,414)
<b>Net charge to total comprehensive income &amp; expenditure</b>	<b>(33,441)</b>	<b>36,567</b>	<b>(40,052)</b>	<b>460,681</b>	<b>(73,493)</b>	<b>497,248</b>
<b>Statement of Movement in Reserves:</b>						
Reversal of items not permitted to be charged to the general fund by statute	33,441	(36,567)	40,052	(460,681)	73,493	(497,248)
Employer Contributions	6,417	6,987	19,626	18,518	26,043	25,505
<b>Net charge to general fund</b>	<b>6,417</b>	<b>6,987</b>	<b>19,626</b>	<b>18,518</b>	<b>26,043</b>	<b>25,505</b>
Retirement benefits payable to pensioners	n/a	n/a	n/a	n/a	n/a	n/a
<b>Analysed as:</b>						
Employers' contributions payable to schemes	6,417	6,987	15,428	14,380	21,845	21,367
Employers' contributions payable to schemes – Cash Top-Up	-	-	1,928	1,862	1,928	1,862
Direct payments - Injury awards payable	-	-	2,270	2,276	2,270	2,276
<b>Total</b>	<b>6,417</b>	<b>6,987</b>	<b>19,626</b>	<b>18,518</b>	<b>26,043</b>	<b>25,505</b>

## Notes to the core financial statements

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

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

	Local Government Pension Scheme		Police Pension Schemes		Balance Sheet	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(209,674)	(279,998)	(1,687,438)	(2,129,601)	(1,897,112)	(2,409,599)
Fair value of plan assets	147,849	188,593	-	-	147,849	188,593
<b>Sub total</b>	(61,825)	(91,405)	(1,687,438)	(2,129,601)	(1,749,263)	(2,221,006)
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(61,825)</b>	<b>(91,405)</b>	<b>(1,687,438)</b>	<b>(2,129,601)</b>	<b>(1,749,263)</b>	<b>(2,221,006)</b>

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

	Local Government Pension Scheme		Police Pension Schemes	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Opening fair value of scheme assets	144,397	147,849	-	-
Interest Income	4,642	5,298	-	-
<b>Remeasurement gain/(loss)</b>				
The return on plan assets; excluding the amount included in the net interest expense	(3,718)	29,943	-	-
Other (if applicable)	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	6,417	6,987	19,626	18,518
Employer Contributions (Top Up Grant)	-	-	29,340	24,404
Contributions from employees into the scheme	2,351	2,380	9,121	8,764
Benefits paid	(3,777)	(3,864)	(58,087)	(51,686)
Other (if applicable)	(2,463)	-	-	-
<b>Closing fair value of scheme assets</b>	<b>147,849</b>	<b>188,593</b>	<b>-</b>	<b>-</b>

## Notes to the core financial statements

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

	Local Government Pension Scheme		Police Pension Schemes	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>(246,080)</b>	<b>(209,674)</b>	<b>(1,747,116)</b>	<b>(1,687,438)</b>
Current Service Cost	(10,318)	(8,715)	(29,492)	(25,470)
Interest Cost	(7,938)	(7,504)	(55,127)	(58,312)
Contributions from scheme participants	(2,351)	(2,380)	(9,121)	(8,764)
Remeasurement (gains) and losses				
• Actuarial gains/losses arising from changes in demographic assumptions	-	2,412	-	-
• Actuarial gains/losses arising from changes in financial assumptions	48,234	(61,283)	95,331	(401,303)
• Other (if applicable)	1,911	3,414	-	-
Past service cost	(24)	(132)	-	-
Losses/(gains) on curtailment (where relevant)	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	3,777	3,864	58,087	51,686
Liabilities extinguished on settlements (where relevant)	3,115	-	-	-
Impact of intra-group split of liabilities	-	-	-	-
<b>Closing balance at 31 March</b>	<b>(209,674)</b>	<b>(279,998)</b>	<b>(1,687,438)</b>	<b>(2,129,601)</b>

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 liability of £2,221m has a substantial impact on the net worth of the OCC as recorded in the balance sheet, resulting in a negative overall balance of £2,225m. However, the statutory arrangements for funding the deficit mean that the financial position of the OCC remains stable.

The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. With effect from 1<sup>st</sup> April 2016 the employer's contribution rate increased to 18.7% (17.7% for 2015/16) and is due to rise to 19.8% in 2017/18.

The LGPS fund was valued during 2016/17 for the purposes of setting the employer's contribution rates for the next 3 years commencing in April 2017. The next valuation will be as at the 31/03/19 and will take place during 2019/20.

The deficit on the LGPS scheme has increase by £29m between March 2016 and March 2017.

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

The 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.

## Basis for Estimating Assets and Liabilities

	Local Gov't Scheme		Police Schemes	
	2015/16	2016/17	2015/16	2016/17
	Years	Years	Years	Years
<b>Long term expected rate of return on assets in the scheme</b>				
• Equity investments	n/a		-	
• Bonds	n/a		-	
• Other	n/a		-	
<b>Mortality assumptions:</b>				
<b>Longevity at 65 (60 for police schemes) for current pensioners:</b>				
• Men	22.2	22.1	28.2	28.4
• Women	24.3	24.3	30.8	30.9
<b>Longevity at 65 (60 for police schemes) for future pensioners:</b>				
• Men	24.2	23.8	30.7	30.8
• Women	26.6	26.2	33.2	33.3

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

	Local Gov't Scheme		Police Schemes	
	2015/16	2016/17	2015/16	2016/17
• rate of inflation (increase or decrease by 1%)	3.20%	3.20%	2.00%	2.30%
• rate of increase in salaries (increase or decrease by 1%)	3.20%	3.40%	3.50%	3.80%
• rate of increase in pensions (increase or decrease by 1%)	2.20%	2.40%	2.00%	2.30%
• rate for discounting scheme liabilities (increase or decrease by 1%)	3.50%	2.60%	3.50%	2.50%

## Notes to the core financial statements

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

Local Government Pension Scheme assets comprised

2015/16 £000	Fair Value of Scheme Assets	2016/17 £000
2,956	Cash and cash equivalents	12,045
	<i>Equity instruments: by industry type</i>	
-	- Consumer	-
-	- Manufacturing	-
-	- Energy and utilities	-
-	- Financial institutions	-
-	- Health and care	-
-	- Information technology	-
4,040	Other	4,872
<b>4,040</b>	<b>Subtotal equity</b>	<b>4,872</b>
	<i>Bonds: by sector</i>	
7,806	UK Government	16,241
6,086	Other	2,067
<b>13,892</b>	<b>Subtotal bonds</b>	<b>18,308</b>
	<i>Property: by type</i>	
15,057	UK Property	15,154
-	Overseas Property	-
<b>15,057</b>	<b>Subtotal property</b>	<b>15,154</b>
	<i>Private equity</i>	
5,676	All	7,121
<b>5,676</b>	<b>Subtotal private equity</b>	<b>7,121</b>
	<i>Other investment funds</i>	
72,535	Equities	90,327
15,911	Bonds	16,911
6,710	Hedge Funds	6,332
3,178	Commodities	4,443
3,861	Infrastructure	8,442
4,088	Other	4,725
<b>106,283</b>	<b>Subtotal other investment funds</b>	<b>131,180</b>
	<i>Derivatives</i>	
<b>(55)</b>	Forward foreign exchange contracts	<b>(87)</b>
<b>147,849</b>	<b>Total assets</b>	<b>188,593</b>

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



## Notes to the core financial statements

During 2016/17 Police Officer Annual Leave increased from £741k to £925k. The increase has been caused by Officer being encouraged to use accrued Rest Days in Lieu (RDIL) rather than annual leave. However, this is not offset by a corresponding reduction in RDIL due to reductions in officer numbers and operational priorities.

Police Staff Annual Leave increased from £420k to £479k. This was mainly due to an increase of 40 Full time establishment posts compared with 2015/16. Time Off in Lieu also increased from £77k to 165k.

2015/16 £000		2016/17 £000
(3,220)	<b>Balance at 1<sup>st</sup> April</b>	<b>(3,443)</b>
3,220	Reversal of opening accrual made at the end of the preceding year	3,443
(3,443)	Amounts accrued at the end of the current year	(3,737)
(223)	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	(294)
<b>(3,443)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(3,737)</b>

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.

2015/16 OCC £000		Note	2016/17 OCC £000
-	Increase/(decrease) in impairment bad debts		-
216	Increase/(decrease) in creditors/RIA		558
(216)	Increase/(decrease) in debtors/PIA		(558)
-	Increase/(decrease) in inventories		-
(42,222)	Movement in pension liability		(44,926)
-	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		-
(223)	Other non-cash items charged to the net surplus or deficit on the provision of services		(294)
<b>(42,445)</b>			<b>(45,220)</b>

### 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 **date xx September 2017**. No adjusting events have taken place to date.

## 18. Contingent liabilities

The Chief Constable of Leicestershire, along with other Chief Constables and the Home Office, currently has 67 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

## 19. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 22, the OCC has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There is a high degree of uncertainty about future levels of funding for local government. However, the OPCC has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the OPCC might be impaired as a result of a need to close facilities and reduce levels of service provision. The OCC would be directly affected by changes in funding for local government as it would potentially impair the resources available for use.

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

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.

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

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

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

### Credit risk

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

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

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

Customer credit risk has a very low overall effect on the OPCC/Group by virtue of income from customers being equal to only 3.95% of total income (2015/16 – 3.83%). The risk is managed via the OPCC/Group's credit control policy. This policy sets out the framework within which financial relationships with the OPCC/Group's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Chief Finance Officer for the OCC may authorise the write-off of unrecoverable amounts up to £10k. Amounts above £10k require the authorisation of the Chief Finance Officer for the OPCC.

To further mitigate the risk of customer credit default, the OPCC/Group makes a bad debt impairment each year. The impairment is equal to 0.05% of the total debtors value (2015/16 - 0.02 %). Further information concerning this impairment can be seen in Note 18 of the Group Accounts.

### Liquidity risk

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

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

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

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

### Market risk

#### *Interest rate risk*

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

- Future borrowings would be more costly and result in a higher interest expense charged to the Comprehensive Income & Expenditure Statement
- The fair value of existing borrowings would alter

- Future short-term investments would realise a greater return and result in a higher interest receipt credited to the Comprehensive Income & Expenditure Statement

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

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

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

### *Price risk*

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

### *Foreign exchange risk*

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

## **22. 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 2016/17 financial year and its position at the year-end of 31<sup>st</sup> March 2017. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the Code) and the *Service Reporting Code of Practice 2016/17* (SeRCOP) as published by CIPFA, supported by International Financial Reporting Standards (IFRS).

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

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

### **A2 Cost and intra-group income recognition**

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

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

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

In addition the OCC's accounts reflect the employment and post employment liabilities in accordance with IAS19 which states that liabilities relating to these benefits should follow the cost of employment.

The OCC's Total Comprehensive Income and Expenditure reflects the movement in the OCC's unusable reserves as all other net expenditure is met by a transfer of resources from the OPCC and no usable reserves are held by the OCC.

### **A3 Accruals of income and expenditure**

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

- Intra-group income is recognised when it is probable that economic benefits or service potential associated with the transaction will flow to the OCC.
- Supplies are recorded as expenditure when it is probable that economic benefits or service potential associated with the transaction will flow to the OCC.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

### **A4 Exceptional items**

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other event and conditions on the OCC's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### **A6 Financial instruments**

The OCC balance sheet contains financial assets & liabilities valued at amortised cost. Examples of these assets or liabilities include debtors and creditors. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

Where assets or liabilities mature within 12 months of the balance sheet date the carrying amount is assumed to approximate the fair value.

### **A7 Provisions & Contingent Liabilities**

Provisions are made where an event has taken place that gives a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement (CIES) in the year that the OCC becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the OCC a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are disclosed in a note to the accounts, if appropriate.

## **A8 Revenue Recognition / Income**

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

## **A9 Employee benefits**

### **Benefits payable during employment**

Short-term employee benefits are those due to be settled within 12 months of the year end. The OCC makes an accrual in the Comprehensive Income & Expenditure Account for the short-term employment benefits that were not taken during the financial year. These benefits are:

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

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

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

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

### **Termination benefits**

Termination benefits are amounts payable as a result of a decision by the OCC to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the OCC is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

### **Post-employment benefits**

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

#### **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 six components:

- Current Service Cost – the increase in liabilities as a result of one additional year of service earned this year – allocated to the Comprehensive Income and Expenditure Statement
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made in their last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pension Reserve
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **A10 Jointly controlled operations**

The OCC has an interest in eleven jointly controlled operations. It is the lead accounting body for five 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.

Leicestershire contributes 1/3 (one third) to the net revenue budget of EMASU, 23% to EMSOU, EMSOU-MC, EMCHRS-OHU, EMTSU, EMFSS and EMLSU, 26.41% to EMCHRS-LDU, 51.34% to EMCHRS-HRSC and 29.41% to EMOpSS and EMCJS

### **A11 Events after the reporting period**

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

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

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

### **A12 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:

2015/16 £000		2016/17 £000
(14,159)	<b>Contributions receivable:</b>	
(1,269)	<b>OPCC</b>	
-	■ employer's contributions	(13,677)
(9,121)	■ early retirements	(703)
(24,549)	■ Reimbursement of unabated pension of '30+' officers	-
	■ officers' contributions	(8,764)
		(23,144)
(596)	<b>Transfers in from other pension schemes</b>	(181)
	<b>Benefits payable:</b>	
39,546	■ pensions	40,672
9,465	■ commutations and lump sum retirement benefits	7,822
1,623	■ ill-health commutations and lump sum retirement benefits	813
84	■ lump sum death benefits	109
5,219	■ GAD vs Milne Payments	-
55,937		49,416
	<b>Payments to and on account of leavers:</b>	
34	■ refund of contributions	10
442	■ transfers out to other police Forces	164
476		174
<b>31,268</b>	<b>Net amount payable for the year</b>	<b>26,265</b>
<b>(31,268)</b>	<b>Additional funding Receivable from the Police Fund</b>	<b>(26,265)</b>

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

31st March 2016 £000		31st March 2017 £000
7,111	<b>Current assets</b>	
	Contributions due from the OPCC/Group	5,620
-	<b>Current liabilities</b>	
	Unpaid pensions benefits	-
<b>7,111</b>		<b>5,620</b>

### Notes

#### Note 1

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

#### Note 2

Details regarding the accounting policies are detailed within note 26 A9, notes to the core financial statements.

#### Note 3

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

Details of the OCC's long-term pension obligations can be found in the notes to the OCC's core financial statements at note 15

#### Note 4

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office subject to the Government Actuary's Department triennial valuation. An actuarial valuation during 2014/15 resulted in a reduction in the employer's contribution rate from 24.2% to 21.3% from April 2015.

However, the Group will need to continue to make a total contribution equivalent to 24.2% of pensionable pay as the reduction in the rate of 2.9% will be retained by government, by reducing the 'Top-Up' grant payable. The employers' pension cash top-up is included within the 'additional funding receivable from the Police Fund'

Employee contribution rates range between 12.05% 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 service to the communities of Leicester, Leicestershire and Rutland and has direction and control over officers and staff operating with the Force. The CC holds office under the Crown and is appointed by the Police and Crime Commissioner (PCC).

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

The CC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The CC has adopted the Corporate Governance Framework approved by the PCC, which is consistent with the principals of the **CIPFA / SOLACE Framework Delivering Good Governance in Local Government**. A copy of the Framework can be obtained from the Office of the Police and Crime Commissioner (OPCC), Leicestershire Police Headquarters, St Johns, Enderby, Leicester, LE19 2BX or on our website at [www.leics.pcc.police.uk](http://www.leics.pcc.police.uk). This statement explains how the CC has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

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

## 2) The Purpose of the Governance Framework

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

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

The Corporate Governance Framework was in place during 2016/17 **and in line with good practice is currently being reviewed and will be completed during 2016/17.**

## 3) The Governance Framework

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

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

Mazars are the appointed internal auditors and have been given the responsibility to review independently the status of the PCC's & CC's internal control arrangements. Mazars routinely report to and attend the Joint Audit, Risk and Assurance Panel (JARAP) to provide assurance on the adequacy and effectiveness of internal control. Mazars also attend management and JARAP agenda-setting meetings where appropriate to inform and highlight national and regional themes, considerations and practices.

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

- A detailed Force delivery plan which sets out how the CC intends to achieve the objectives contained within the PCC's Police and Crime Plan;
- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan;
- Comprehensive budget setting and management systems that seek to align resources against police and crime plan priorities;
- A Force Change Board which oversees the transformational change programme designed to deliver an affordable and sustainable medium term financial position;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action;
- A Force Strategic Organisational Risk Board which is responsible for the identification of strategic risks, the development of risk mitigation strategies and ongoing monitoring;
- Engagement in value for money benchmarking such as is conducted by Her Majesty's Inspectorate of Constabulary (HMIC);
- Well researched and coherent Corporate Governance Framework that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriate statutory officers within both the OPCC and OCC, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC;
- Codes of conduct and standards of behaviour policies for both police officers and staff;
- Determining the conditions of employment and remuneration of police officers and staff, within appropriate national frameworks;
- Governance arrangements with Partners which oversee key areas of strategic partnership working such as the Strategic Partnership Board, chaired by the PCC with the CC and other key stakeholders in attendance;
- An Ethics, Integrity and Complaints Committee was fully established in 2015/16 and a protocol is currently underway to align the work of the JARAP and the Committee for optimum benefit moving forwards.

### Chief Finance Officer

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

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

The Chief Financial Officer in a public service organisation:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Force's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Force's financial strategy; and

- must lead the promotion and delivery by the whole Force of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

### 4) Review of Effectiveness

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

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

The JARAP met four times during the year and considers the work of internal and external audit, the in house internal audit team, tracking of internal audit recommendations, risks and risk management, the Corporate Governance Framework and specific themes. In addition, the JARAP reviewed their terms of reference and produced an annual report of their work.

The Mazars internal audit annual report covered the period 1 April 2015 to 31 March 2016 and will be reported to and considered by the JARAP in July 2016.

The internal audit opinion for 2015/16 was as follows:

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

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

The basis of Mazar's opinion was as follows:

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

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

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

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

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

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

- an unqualified audit opinion on the Statement of Accounts was issued by 30 September 2015;
- the financial statements and supporting schedules were ready within the agreed timetable;
- the quality of the working papers and draft accounts were again of a high standard;
- the finance staff were helpful and co-operative throughout;
- our work on the systems identified no material weakness;
- no material errors (or errors above the reporting threshold) were found in our work on the accounts;
- due to late technical guidance issued on 14 September 2015 which confirmed the position of the NAO’s technical view on the recent Pension Ombudsman’s ruling on GAD vs Milne, Leicestershire has now accounted for this as an adjusting post balance sheet event and through a prior period adjustment to correct a material error in the financial statements of an understated net pension liability
- the ‘going concern’ assumption is appropriate;
- we undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the National Audit Office. The Group were under the threshold of £350million set by the NAO and we submitted our assurance statement on 30 September 2015;
- we issued an unqualified conclusion on the ability of the CC and PCC to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- we reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context

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

JARAP have completed a draft annual report for 2015/16 which summarised the outcomes of their work and the areas reviewed to gain assurance and internal control.

## 5) Significant Governance Issues

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

### *Police and Crime Plan and Resources*

The Police and Crime Plan has been produced following thorough research and consultation. The objectives are clear and the targets are demanding. The Comprehensive Spending Review (CSR) was far better than expected with the Police being protected from significant cuts. This has reduced the anticipated funding gap to £4.6m in 2019/20. Savings are still required and it is anticipated that a new Police and Crime Plan will be in place by the 1/4/17 which will identify the resources required in its delivery.

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

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

### *Partnerships and Commissioning*

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

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

### *Regional Collaboration*

Both the OPCC and the OCC in Leicestershire are active supporters of regional collaboration on a range of support and front-line functions. There is, of course, a requirement to ensure that these arrangements are governed appropriately and are delivering value for money. The Chief Finance Officers of the region are concerned that increased collaboration needs to be implemented in line with an appropriate strategic direction and that risk as well as benefits are considered and internal controls put in place and following a "proof of concept" exercise, work on collaboration assurance has taken place for all collaborations. This will be refined and developed further in 2016/17

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

In terms of value for money, regional PCCs have set the Regional Collaboration team challenges to identify efficiencies, some of which have been implemented in the 2016/17 Regional budgets.

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

### *Seized and Found Property*

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

Following previous Internal Audits in this area and the regional potential area of fraud and corruption identified in the Governance Statement 2014/15, the OPCC and the force scheduled an Internal Audit of this area to identify what assurances were in place and work required to address any weaknesses or gaps in assurances.

As highlighted in this Annual Governance Statement, the Internal Audit scheduled has identified that only limited assurance is available for this area and a number of recommendations have been highlighted for which a management response by the Force is currently in train.

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

### *National Developments*

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

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

### *Conclusion*

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

**Simon Cole**  
**Chief Constable**  
**xxx September 2017**

**Paul Dawkins**  
**Chief Finance Officer**  
**xxx September 2017**





## East Midlands Police Collaboration

Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

### **ANNUAL GOVERNANCE STATEMENT** **FOR REGIONAL COLLABORATION 2016/17**

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

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

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

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

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

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

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

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

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

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

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

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

**Signed**

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a horizontal line.

**Date** 24.5.17

**Martyn Bates**  
**Deputy Chief Constable (East Midlands)**

***Independent auditors' report to The Chief Constable of Leicestershire (the "Chief Constable")*****Opinion on the Chief Constable for Leicestershire financial statements**

We have audited the financial statements of the Chief Constable of Leicestershire for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- *Chief Constable of Leicestershire Movement in Reserves Statement;*
- *Chief Constable of Leicestershire Comprehensive Income and Expenditure Statement;*
- *Chief Constable of Leicestershire Balance Sheet;*
- *Chief Constable of Leicestershire Cash Flow Statement* and the related notes 1 to 22; and
- *Chief Constable of Leicestershire Pension Fund Account.*

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

**Respective responsibilities of the *Chief Finance Officer* and auditor**

As explained more fully in the *Statement of Responsibilities for the Accounts* set out on page 9, the *Chief Finance Officer* is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Leicestershire circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Financial Report 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Leicestershire as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

**Opinion on other matters**

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

**Matters on which we report by exception**

We report if

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

We have nothing to report in these respects

**Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources*****Chief Constable's responsibilities***

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

***Auditor's responsibilities***

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

***Conclusion***

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Chief Constable put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### Certificate

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

*Stephen Clark (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Birmingham  
Date:*

The maintenance and integrity of the Office of the Chief Constable for Leicestershire 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.

### **Commuted lump sums**

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

### **Contingent liabilities**

A contingent liability is either:

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

### **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 1<sup>st</sup> April covered by the accounts.

### **Formula spending share**

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

### **Impairment**

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

### **Investment property**

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

### **Leasing**

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

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

### **Liquid resources**

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

### **Minimum revenue provision**

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

### **Net book value**

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

### **Non-current assets**

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

### **Non distributed costs**

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

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

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

### **Precept**

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

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

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

### **Receipts and payments**

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

### **Unusable reserves**

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

### **Usable reserves**

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