



Leicestershire Police Authority

Annual Financial Report

2011/12

Audited

	Page
Statement of Accounts	
<i>Core financial statements</i>	
• Comprehensive Income & Expenditure Statement	7
• Balance Sheet	8
• Statement of Movement in Reserves	9
• Cash flow Statement	11
Notes to the core financial statements	12
<i>Supplementary financial statements</i>	
• Pension fund account	73
• Joint arrangements	
• East Midlands Air Support Unit - EMASU	75
• East Midlands Special Operations Unit - EMSOU	81
• East Midlands Special Operations Unit – Major Crime EMSOUMC	88
• East Midlands Technical Surveillance Unit - EMTSU	92
Non audited information documents	
Explanatory foreword by the treasurer	1
Statement of responsibilities	6
Annual governance statement	98
Audit opinion	101
Glossary of terms	104

1.Explanation of the financial report

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 authority 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 2011/12. The report provides the accounting for the general fund and all other accounts for which the authority is responsible. The authority's balance sheet provides details of the assets and liabilities as at 31 March 2012. 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:

Movement in Reserves Statement

The movement in the year on the different reserves held by the authority is shown in this statement. This is analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

- Usable reserves - those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).
- Unusable reserves - those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Cash flow statement

This statement shows the movement in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by

classifying cash flows as; operating, investing and financing activities. The net cash flow arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

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 authority's activities

The supplementary financial statements:

Pension fund account

The police pension schemes are unfunded and hold no assets. The purpose of this account is to demonstrate the cash-based transactions taking place over the year and to identify the arrangements needed to balance the account.

Non audited supplementary documents

Explanatory foreword

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

Statement of responsibilities

The purpose is for the treasurer to sign a statement that the accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for that 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.

Explanatory Foreward

Introduction

The accounts for 2011/12 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (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 the second to be 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.

There have not been any significant changes in accounting policies in 2011/12.

Overview of 2011/12

In December 2010, as part of the Comprehensive Spending Review (CSR) 2010, the Government announced a settlement for the two years 2011/12 to 2012/13. Again, the government formula was not implemented, and a flat rate **decrease** of 5.1% in 2011/12 and 6.7% in 2012/13 was applied. In addition to the overall reduction in grant due to the austerity measures, Leicestershire Police Authority lost grant of £4.096m to which it was entitled according to the formula.

Three specific grants (Rule 2, Crime Fighting Fund and BCU Fund) totalling £5.5m in 2010/11 were consolidated into the Police Main Grant during 2011/12.

For 2011/12 the Government announced its commitment to freeze Council Tax at 2010/11 levels. In order to ensure a council tax freeze it offered to compensate authorities who levied no increase. An additional grant was paid by the Government equivalent to a 2.5% precept increase in 2011/12.

The Police Authority accepted the Council Tax freeze grant and the precept was held at £169.63 for a Band D property.

£11.3m of savings were removed from the 2011/12 budget as part of the "policing the future" savings programme.

Financing the Police Service

The Authority set a net revenue budget of £175.95m for the year, after planning to draw £0.8m from reserves. The majority of the funding is provided by Government, with just 31% met via the Council Tax. The Authority levied a precept of £169.63 for a Band D property, an increase of 0% over the previous year.

Revenue spending

The Authority underspent its revenue budget by £2.435m, or 1.38%. This was attributable to:

- an underspend on police pay and allowances of £2.3m due an increased number of leavers and funded posts
- an overspend on corporate budgets of £0.4m due an increase in the Force funded elements of the Police Officer pension scheme, the cost of providing unbudgeted public order policing, lower than expected debt charges, recharging the costs of airport policing and overtime savings
- a net underspend of £2.3m on delegated activities as a result of local management decisions to reduce overall expenditure.

This was after the Authority agreed to transfer £0.5m to a newly created Police and Crime Commissioner Transition reserve and contribute £1.5m towards the financing of capital expenditure. The gross underspend against the revenue budget for the year was therefore £4.435m or 2.52%.

The Authority agreed to transfer the uncommitted revenue underspend of £2.435m to the Budget Equalisation Reserve as a further contribution to bridging the estimated medium term funding gap of £16.7m in 2015/16.

Reserves

The Police Fund (General Reserve) has remained at £5.253m. The closing balance on the Budget Equalisation Reserve is £10.7m. A Police and Crime Commissioner Transition reserve has been created during 2011/12 (See Note 31 for further details).

Retirement Benefits

Accounting for Retirement Benefits in the 2011/12 Statement of Accounts has resulted in a pension liability of £1,338m compared to £1,260m in 2010/11.

The police officer pension scheme liability is £1,303m with the balance relating to Local Government Pension Scheme.

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

Capital spending

£4.9m was spent on improving the buildings stock, investing in information technology, operational equipment and the vehicle fleet. This was funded by a combination of grant, asset sales and revenue contributions. This capital spending resulted in non-current asset additions of £4.6m after £0.3m was charged to the Comprehensive Income & Expenditure Statement as "Revenue Expenditure Funded from Capital Under Statute" (REFCUS – see Note 17). No borrowing was taken during 2011/12. Outstanding external debt at the year end was £12.4m (excluding accruals for interest payable).

A number of capital projects were undertaken during 2011/12 including the refurbishment of Wigston police station, the purchase of a new building for Hinckley Local Policing Unit, replacing a number of IT systems including the Duty Management and Case and Custody system and investment in the IT and telephone infrastructure.

During 2011/12 properties at Blaby, Uppingham, Quorn and Shepshed were disposed of as part of the Force's overall estates strategy. These were replaced with neighbourhood offices, where appropriate.

Outlook for 2012/13

The Authority has approved the 2012/13 net revenue and capital budgets of £169.6m and £5.8m respectively. Formula grant reduced by 6.7% in 2012/13. The Government's commitment to freeze council tax continued. In order to ensure a council tax freeze it offered to compensate authorities who levied no increase an additional grant equivalent to a 3% precept increase in 2012/13. The Authority did not accept the grant and a precept of £173.87 for a Band D property was approved, an increase of 2.5% over the previous year.

This decision was based on sustaining the longer term financial position of the authority in years 2014/15 and 2015/16.

£5m of net savings were removed from the 2012/13 budget as part of the "policing the future" savings programme

Police and Crime Commissioner

In the Police Reform and Social Responsibility Act the Government has set out plans to introduce Police and Crime Commissioners and that Police Authorities will be abolished. The Government are introducing this new arrangement as it believes that the public will be better served by someone who is directly elected.

The first elections will be held in November 2012 and a single Commissioner will be elected for each force area for a four year term.

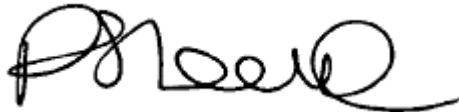
Explanatory foreword by the treasurer

The Government outlines the key roles for the role of the Police and Crime Commissioner as:

- representing all those who live and work in the communities in their force area and identifying their policing needs
- setting priorities that meet those needs by agreeing a local strategic plan for the force
- holding the Chief Constable to account for achieving these priorities as efficiently and effectively as possible
- setting the force budget and setting the precept

The Commissioner will be overseen by a new Police and Crime Panel which will primarily consist of representatives of all Local Authorities in a Force's geographical area. The Panel is intended as a check and balance on the Police and Crime Commissioner, rather than on the Force itself.

Whilst the Act will introduce changes to the governance structure with both the Police and Crime Commissioner and the Chief Constable being established in law as a corporation sole which enables them both to employ staff and hold funds in their official capacity. It is not envisaged that these changes will impact on the 'going concern' of the Authority / Force.



Paul Stock
Chief Executive / Treasurer
June 29 2012

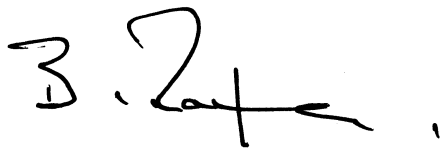
The Authority's responsibilities

The Authority 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 Authority, that officer is the Chief Executive / Treasurer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts

Authority's approval

The Statement of Accounts for the year to 31 March 2012 has been prepared and was approved at the meeting of the Authority on 25th September 2012.



Barrie Roper
Chair of Authority
Date: 25 September 2012

The Treasurer's responsibilities

The treasurer is responsible for the preparation of the authority'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 treasurer, has:

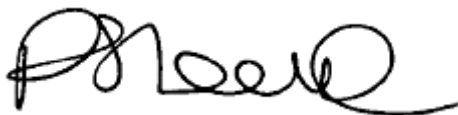
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that are reasonable and prudent
- complied with the local authority Code.

The treasurer has also:

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

Treasurer's certification

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2012.



Paul Stock
Chief Executive / Treasurer
25 September 2012

Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing police services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves.

2010/11				2011/12			
Gross expenditure £000	Gross income £000	Net expenditure £000		Note	Gross expenditure £000	Gross income £000	Net expenditure £000
102,566	(13,159)	89,407	Local Policing		94,076	(8,205)	85,871
12,891	(185)	12,706	Dealing With The Public		13,351	(375)	12,976
17,914	(2,571)	15,343	Criminal Justice Arrangements		14,783	(1,787)	12,996
5,771	(295)	5,476	Road Policing		6,700	(289)	6,411
15,584	(3,271)	12,313	Specialist Operations		16,095	(2,703)	13,392
12,373	(381)	11,992	Intelligence		12,981	(478)	12,503
25,433	(1,031)	24,402	Investigations		32,931	(1,733)	31,198
6,512	(64)	6,448	Investigative Support		5,292	(99)	5,193
6,363	(4,352)	2,011	National Policing		6,630	(4,389)	2,241
1,004	-	1,004	Corporate & Democratic Core		816	-	816
-	(116,452)	(116,452)	Non distributed costs – past service costs	34	-	-	-
171	-	171	Non distributed costs - curtailments	34	139	-	139
206,582	(141,761)	64,821	Cost of services	2	203,794	(20,058)	183,736
121	-	121	Other operating expenditure	4	143	-	143
73,555	(150)	73,405	Financing and investment income & expenditure	5	68,597	(213)	68,384
-	(177,860)	(177,860)	Taxation & non-specific grant income	6	-	(177,646)	(177,646)
280,258	(319,771)	(39,513)	(Surplus) or deficit on provision of services		272,534	(197,917)	74,617
		(1,509)	(Surplus) / deficit on revaluation of non-current assets	37/38			(748)
		(13,834)	Actuarial (gains) / losses on pension assets/liabilities	34			12,845
		(5,793)	Grant received from the Home Office in respect of the pension fund account	33			(14,257)
		(21,136)	Other comprehensive income & expenditure				(2,160)
		(60,649)	Total comprehensive income & expenditure				72,457

Non-distributed costs – past service costs is the adjustment calculated by the Authority's actuary to be required to restate the Authority's defined benefit pension liabilities due to the change from RPI (Retail Price Index) to CPI (Consumer Price Index) as the basis for increasing pension payments each year. This is a one-off adjustment. Refer to note 34 for further analysis.

Balance Sheet

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

31 st March 2011 £000		Note	31 st March 2012 £000
	Non-current assets		
1,872	Intangible assets	15	1,612
60,500	Property, plant & equipment	16	59,030
282	Investment property	18	302
62,654			60,944
	Non-operational non-current assets		
843	Assets under construction	20	719
63,497			61,663
79	Long term debtors	22	104
63,576	Total long term assets		61,767
	Current assets		
293	Inventories	21	239
6,326	Short term debtors	22	15,301
398	Assets held for sale	19	1,326
838	Payments in advance		1,537
10	Short term investments	23	10
22,480	Cash & cash equivalents	23	20,409
30,345			38,822
	Current liabilities		
(8,861)	Short term creditors	25	(10,744)
(914)	Receipts in advance		(905)
(189)	Short term borrowing	27	(131)
(257)	Provisions	28	(394)
(2,679)	Accumulated absences	40	(1,824)
(12,900)			(13,998)
17,445	Net current assets		24,824
	Long term liabilities		
(12,399)	Long term borrowing	26	(12,399)
(3,752)	Deferred liabilities	24	(3,113)
(67)	Capital grants receipts in advance	13	(161)
(1,259,524)	Liability related to defined benefit pension schemes	33	(1,338,096)
(1,275,742)			(1,353,769)
(1,194,721)	Net assets / (liabilities)		(1,267,178)
	Reserves		
23,774	Usable reserves	29	28,497
(1,218,495)	Unusable reserves	30	(1,295,675)
(1,194,721)	Total reserves		(1,267,178)

Re-certification

The unaudited accounts were issued on 29 June 2012 and the audited accounts were authorised for issue on 28 September 2012.

Statement of Movement in Reserves

The movement in the year on the different reserves held by the Authority is shown in this statement. This is analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The 'net increase/(decrease) before transfers to earmarked reserves' line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

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

2011/12	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total authority reserves
Note	32	31	35	36	29	30	
	£000	£000	£000	£000	£000	£000	£000
Balance as at 31st March 2011	5,253	18,513	-	8	23,774	(1,218,495)	(1,194,721)
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	(74,617)	-	-	-	(74,617)	-	(74,617)
Other comprehensive income & expenditure	2,160	-	-	-	2,160	-	2,160
Total comprehensive income & expenditure	(72,457)	-	-	-	(72,457)	-	(72,457)
Adjustments between accounting basis & funding basis under regulations (note 3)	77,182	-	-	(2)	77,180	(77,180)	-
Net increase/(decrease) before transfers to/from earmarked reserves	4,725	-	-	(2)	4,723	(77,180)	(72,457)
Transfers (to)/from earmarked reserves (note 31)	(4,725)	4,725	-	-	-	-	-
Increase/(decrease) in 2011/12	-	4,725	-	(2)	4,723	(77,180)	(72,457)
Balance as at 31st March 2012	5,253	23,238	-	6	28,497	(1,295,675)	(1,267,178)

Core financial statements

2010/11	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total authority reserves
<i>Note</i>	32 £000	31 £000	35 £000	36 £000	29 £000	30 £000	£000
Balance as at 31st March 2010	5,253	12,847	-	11	18,111	(1,273,481)	(1,255,370)
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of services	39,513	-	-	-	39,513	-	39,513
Other comprehensive income & expenditure	21,136	-	-	-	21,136	-	21,136
Total comprehensive income & expenditure	60,649	-	-	-	60,649	-	60,649
Adjustments between accounting basis & funding basis under regulations (note 3)	(54,983)	-	-	(3)	(54,986)	54,986	-
Net increase/(decrease) before transfers to/(from) earmarked reserves	5,666	-	-	(3)	5,663	54,986	60,649
Transfers (to)/from earmarked reserves (note 31)	(5,666)	5,666	-	-	-	-	-
Increase/(decrease) in 2010/11	-	5,666	-	(3)	5,663	54,986	60,649
Balance as at 31st March 2011	5,253	18,513	-	8	23,774	(1,218,495)	(1,194,721)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from *financing* activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2010/11 £000		Note	2011/12 £000
(39,513)	Net (surplus) or deficit on the provision of services		74,617
28,486	Adjustments to <i>net (surplus) or deficit on the provision of services</i> for non-cash movements	41.1	(77,758)
2,492	Adjustments for items included in the <i>net (surplus) or deficit on the provision of services</i> that are investing and financing activities	41.2	2,643
(8,535)	Net cash flows from operating activities	41.3	(498)
(2,603)	Investing activities	42	2,074
544	Financing activities	43	495
(10,594)	Net (increase) or decrease in cash and cash equivalents		2,071
11,886	Cash and cash equivalents at the beginning of the reporting period		22,480
22,480	Cash and cash equivalents at the end of the reporting period	23	20,409

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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Notes to the core financial statements

2011/12	Usable reserves				Total usable reserves	Movement in unusable reserves
	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied		
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items charged to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non-current assets	4,251	-	-	-	4,251	(4,251)
Revaluation (gains) / losses on property, plant and equipment	163	-	-	-	163	(163)
Revaluation of current assets (assets held for sale)	382	-	-	-	382	(382)
Movements in the market value of investment property	(20)	-	-	-	(20)	20
Amortisation of intangible assets	836	-	-	-	836	(836)
Capital grants & contributions applied	(1,691)	-	-	-	(1,691)	1,691
Revenue expenditure funded from capital under statute	258	-	-	-	258	(258)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	817	-	-	-	817	(817)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	(1,437)	-	-	-	(1,437)	1,437
Capital expenditure charged against the general fund	(2,227)	-	-	-	(2,227)	2,227
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	105,389	-	-	-	105,389	(105,389)
Employer's pensions contributions and direct payments to pensioners payable in the year	(26,817)	-	-	-	(26,817)	26,817
Adjustments primarily involving the Collection Fund Adjustment Account						
Difference between council tax receipts on an accruals basis and on a cash received basis	(5)	-	-	-	(5)	5
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	(2)	(2)	2
Adjustments primarily involving the Revaluation Reserve						
Revaluation of non-current assets where residual gain/loss exists on the Revaluation Reserve	(910)	-	-	-	(910)	910
Transfer to Capital Adjustment Account in respect of depreciation on revalued non-current assets	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(952)	-	952	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(952)	-	(952)	952
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(855)	-	-	-	(855)	855
Total adjustments	77,182	-	-	(2)	77,180	(77,180)

Notes to the core financial statements

2010/11	Usable reserves				Total usable reserves	Movement in unusable reserves
	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied		
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items charged to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non-current assets	4,169	-	-	-	4,169	(4,169)
Revaluation (gains) / losses on property, plant and equipment	(1,274)	-	-	-	(1,274)	1,274
Revaluation of current assets (assets held for sale)	82	-	-	-	82	(82)
Movements in the market value of investment property	3	-	-	-	3	(3)
Amortisation of intangible assets	866	-	-	-	866	(866)
Capital grants & contributions applied	(2,378)	-	-	-	(2,378)	2,378
Revenue expenditure funded from capital under statute	970	-	-	-	970	(970)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	325	-	-	-	325	(325)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	(1,453)	-	-	-	(1,453)	1,453
Capital expenditure charged against the general fund	(2,257)	-	-	-	(2,257)	2,257
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(26,514)	-	-	-	(26,514)	26,514
Employer's pensions contributions and direct payments to pensioners payable in the year	(26,592)	-	-	-	(26,592)	26,592
Adjustments primarily involving the Collection Fund Adjustment Account						
Difference between council tax receipts on an accruals basis and on a cash received basis	(366)	-	-	-	(366)	366
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	(3)	(3)	3
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
Adjustments primarily involving the Revaluation Reserve						
Revaluation of non-current assets where residual gain/loss exists on the Revaluation Reserve	(235)	-	-	-	(235)	235
Transfer to Capital Adjustment Account in respect of depreciation on revalued non-current assets	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(114)	-	114	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(114)	-	(114)	114
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(215)	-	-	-	(215)	215
Total adjustments	(54,983)			(3)	(54,986)	54,986

2. **Subjective analysis**

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

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 Authority.

2010/11 Outturn £000		Note	2011/12 Outturn £000
117,186	Police officer pay and allowances		114,022
42,530	Police staff pay and allowances		41,459
2,490	Police pensions		3,592
10,115	IAS 19 Current Cost Adjustment (pensions)	34	12,086
2,248	Other employees expenses		1,240
5,767	Premises		5,633
4,058	Transport		3,541
10,529	Supplies and services		12,159
4,684	Agency and contracted services		3,836
800	Services to the police authority		742
970	Revenue expenditure financed from capital resources	17/38	258
5,035	Depreciation & amortisation charges	15/16	5,087
(116,281)	Non-distributed costs regarding pensions	34	139
90,131	Gross operating expenditure		203,794
(15,709)	Income from government grants	13	(9,616)
(7,565)	Income from fees and charges		(7,896)
(2,036)	Contributions from other local authorities		(2,546)
64,821	Cost of services		183,736
121	Other operating expenditure	4	143
73,405	Financing and investment income & expenditure	5	68,384
(177,860)	Taxation & non-specific grant income	6	(177,646)
(39,513)	(Surplus) or deficit on provision of services		74,617
(1,509)	(Surplus) / deficit on revaluation of non-current assets	37/38	(748)
(13,834)	Actuarial (gains) / losses on pension assets/liabilities	34	12,845
(5,793)	Grant received from the Home Office in respect of the pension fund account	33	(14,257)
(21,136)	Other comprehensive income & expenditure		(2,160)
(60,649)	Total comprehensive income & expenditure		72,457

3. **Amounts reported for resource allocation decisions**

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

Performance is analysed internally by BCU (Basic Command Unit) and department and some budgets (for example police pay & allowances) are not devolved to those cost-centres.

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

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

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

On the following pages is a reproduction of the Authority's outturn reports for 2010/11 and 2011/12 together with a reconciliation of the net expenditure figure to the total comprehensive income & expenditure figure shown at the foot of the Comprehensive Income & Expenditure Statement.

Notes to the core financial statements

Revenue Outturn 2011/12

	Revised budget £000	Provisional outturn £000	Year end commitments £000	Balance £000	Memo Feb forecast £000
Basic Command Units	5,584	5,449	74	(61)	(88)
Counties	3,084	2,959	64	(61)	(86)
City	2,500	2,490	10	-	(2)
Delivering Justice Directorate	13,713	12,067	189	(1,457)	(1,408)
Delivering Justice Command	692	627	36	(29)	(13)
Criminal Justice	5,737	5,449	30	(258)	(220)
Safeguarding	1,643	1,557	-	(86)	(47)
Investigations	767	643	-	(124)	(166)
St. Bernard's, Juniper Lodge	60	60	-	-	-
MAPPA	56	56	-	-	-
Forensic Services	4,758	3,675	123	(960)	(962)
Tasking Directorate	13,259	12,747	321	(191)	(372)
Tasking Directorate Command	478	490	-	12	37
Contact Management Centre	6,973	6,883	65	(25)	(161)
Operations	2,466	2,199	156	(111)	(152)
Specials	187	185	4	2	-
Force Intelligence Bureau	3,155	2,990	96	(69)	(96)
Corporate Services Directorate	3,082	2,911	142	(29)	(76)
Corporate Development	1,969	1,781	102	(86)	(87)
Professional Standards	1,113	1,130	40	57	11
Departments	15,606	14,466	457	(683)	(812)
Human Resources	2,279	2,077	57	(145)	(199)
Learning & Development	1,987	1,722	70	(195)	(252)
Information Technology	5,512	5,006	163	(343)	(390)
Procurement & Support Services	1,996	1,940	56	-	-
Estates	1,744	1,673	71	(0)	-
Finance	971	942	29	0	-
Transport Unit	1,117	1,106	11	(0)	29
Regional Collaboration	2,160	2,273	-	113	158
Regional Special Branch	579	592	-	13	22
Regional TSU	161	271	-	110	138
Regional Major Crime	1,249	1,216	-	(33)	(24)
Regional Serious and Organised Crime	171	194	-	23	22
Police Authority	779	728	15	(36)	-
Total delegated	54,183	50,641	1,198	(2,344)	(2,598)
Corporate budgets	121,767	121,356	585	174	466
Central Items (Inflation, Financing etc.)	7,744	6,627	484	(633)	(13)
Seconded Officers	(1,223)	(1,396)	-	(173)	(126)
Non Main-Stream and BCU Funding	1,979	1,884	95	-	-
POCA	21	21	-	-	-
Police Pensions	2,546	3,592	-	1,046	763
Vehicle Recovery Scheme	(44)	(32)	-	12	25
Police Pay & Allowances	110,744	108,660	6	(2,078)	(2,183)
Transfer to Earmarked Reserves	-	2,000	-	2,000	2,000
2010/11 area & dept c/fwds & growth	-	(488)	223	(265)	(214)
Total	175,950	171,509	2,006	(2,435)	(2,346)

Notes to the core financial statements

Revenue Outturn 2010/11

	Revised budget £000	Provisional outturn £000	Year end commitments £000	Balance £000	Memo Feb forecast £000
Basic Command Units	5,189	4,916	80	(193)	(242)
Counties	2,799	2,597	55	(147)	(169)
City	2,390	2,319	25	(46)	(73)
Delivering Justice Directorate	7,300	5,047	67	(2,186)	(2,037)
Criminal Justice	1,701	1,569	43	(89)	(10)
Crime support	2,540	1,745	24	(771)	(706)
St. Bernard's, Juniper Lodge	93	93	-	-	-
MAPPU	2	2	-	-	-
Forensic Services	2,964	1,638	-	(1,326)	(1,321)
Tasking Directorate	3,018	2,250	138	(630)	(387)
Tasking Directorate Command	-	-	-	-	-
Contact Management Centre	167	152	15	-	(2)
Operations	2,024	1,525	75	(424)	(291)
Specials	116	100	12	(4)	(22)
Force Intelligence Bureau	711	473	36	(202)	(72)
Corporate Services Directorate	1,243	1,006	119	(118)	(103)
Corporate Development	516	374	50	(92)	(81)
Community safety bureau	449	401	22	(26)	(22)
Professional Standards	278	231	47	-	-
Departments	7,022	6,345	234	(443)	(471)
Human Resources	560	500	60	-	(57)
Learning & Development	1,209	792	100	(317)	(317)
Information Technology	3,322	3,198	34	(90)	(21)
Procurement & Support Services	615	543	28	(44)	(76)
Estates	1,135	1,143	-	8	-
Finance	181	169	12	-	-
Police Authority	801	799	-	(2)	30
Total delegated	24,573	20,363	638	(3,572)	(3,210)
Corporate budgets	150,543	147,530	139	(2,874)	(2,600)
Central Items (Inflation & Financing etc)	1,591	3,124	118	1,651	1,912
Seconded Officers	(1,454)	(1,599)	-	(145)	(239)
Police Pensions	2,358	2,490	-	132	128
Police Staff Pay & Allowances	35,798	32,461	21	(3,316)	(3,335)
Police Pay & Allowances	112,250	111,054	-	(1,196)	(1,066)
	-	4,667	244	4,911	1,336
2009/10 carry forwards	-	(181)	72	(109)	(101)
In year costs of restructuring	-	1,348	33	1,381	1,337
Revenue contribution to fund	-	2,500	-	2,500	-
Transfer to public order reserve	-	1,000	-	1,000	-
Misc c/fwd requests	-	-	139	139	100
Total	175,116	172,560	1,021	(1,535)	(4,474)

Reconciliation between segmental reporting & Comprehensive Income & Expenditure Statement

2010/11 £000		Note	2011/12 £000
172,560	Net expenditure per outturn report		171,509
1,021	Carry-forward requests		2,006
173,581	Net expenditure before transfer to budget equalisation reserve		173,515
1,535	Transfer to budget equalisation reserve		2,435
175,116	Net expenditure for year (management accounts)		175,950
(53,734)	Council tax income (cash basis)	41.3	(54,191)
(67,996)	Police grant	6	(73,782)
(6,769)	Revenue support grant	6	(11,328)
(46,617)	Non-domestic rates	6	(36,649)
	Movement on general fund balance (management accounts)		
(5,666)	Reverse effect of transfer to/from earmarked reserves	31	(4,725)
(54,983)	Adjustments between accounting basis & funding basis under regulations	1	77,182
(60,649)	Total comprehensive income & expenditure		72,457

4. Other operating expenditure

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

2010/11 Outturn £000		Note	2011/12 Outturn £000
39	(Gains)/losses on the disposal of non-current assets	1/15 16/38	(239)
82	(Gains)/losses on the revaluation of assets held for sale	19/38	382
121			143

5. *Financing and investment income & expenditure*

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

2010/11 Outturn £000		Note	2011/12 Outturn £000
863	Interest payable and similar charges		834
72,687	Pensions interest cost and expected return on pensions assets	34	67,759
(125)	Interest receivable and similar income		(148)
(23)	Income and expenditure in relation to investment properties	18	(41)
3	Changes in the market value of investment properties	18/38	(20)
73,405			68,384

6. *Taxation and non-specific grant income*

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

2010/11 Outturn £000		Note	2011/12 Outturn £000
(54,100)	Council tax income	10	(54,196)
(67,996)	Police grant	41.3	(73,782)
(6,769)	Revenue support grant	41.3	(11,328)
(46,617)	Non-domestic rates	41.3	(36,649)
(2,378)	Capital grants and contributions	17	(1,691)
(177,860)			(177,646)

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

A breakdown of the amounts received from each billing authority can be seen in note 10 – Related parties (on an accruals basis).

7. Officers' remuneration

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

2011/12	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Compensation for loss of office	Pension contributions	Total
		£	£	£	£		£	£
				note 5	note 6			
Constabulary								
Chief Constable	1	139,119	4,351	18,293	528	-	33,667	195,958
Deputy Chief Constable (left 19 March 2012)	2	111,069	6,646	7,893	120	-	26,878	152,606
Assistant Chief Constable								
Senior Police Officer A		102,323	8,008	1,965	527	-	24,762	137,585
Senior Police Officer D		96,023	3,972	16,989	527	-	23,238	140,749
Senior Police Officer E (left 12 April 2011)	3	3,024	-	3,896	134	-	732	7,786
Senior Police Officer F (from 13/04/11 to 30/09/11)	4	42,339	-	1,437	1,687	-	10,246	55,709
Senior Police Officer G (from 01/11/11)	4	37,802	-	1,637	1,505	-	9,148	50,092
Finance Director		89,955	-	-	5,360	-	13,043	108,358
Director of Human Resources		89,955	-	-	5,390	-	13,043	108,388
Police Authority								
Chief Executive/Treasurer		90,000	-	-	-	-	-	90,000
		801,609	22,977	52,110	15,778	-	154,757	1,047,231

Note 1 – The annualised salary of the Chief Constable for Leicestershire is **£139,119** (01/09/2010).

Note 2 – The Deputy Chief Constable left on the 19th March 2012 on an annualised salary of **£114,771** (01/09/2010).

Note 3 – Temporary senior police officer E retired on the 12th April 2011, his annualised salary was **£93,753**, and was replaced by Senior Police Officer F on temporary promotion.

Note 4 – Senior Police Officer G (annualised salary **£90,726**) replaced Senior Officer F on the 01/11/11 on temporary promotion. Senior Officer F reverted to their substantive rank of Chief Superintendent

Note 5 – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependant upon when the officer joined the Force). Payments were also made to the Chief Constable and Senior Officer D to compensate them for the tax paid on their relocation allowances received in the previous year in accordance with the Police Authority's policy on Chief Officer relocation.

Note 6 - Expense allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

Note 7 – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

Notes to the core financial statements

2010/11	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Compensation for loss of office	Pension contributions	Total
		£	£	£	£		£	£
					Note 8	Note 9		
Constabulary								
Chief Constable A (<i>Transferred 13/06/2010</i>)	1	27,508	1,127	920	155	-	6,657	36,367
Chief Constable B (<i>From 14/06/2010</i>)	1	110,169	20,288	3,619	368	-	26,661	161,105
Deputy Chief Constable								
Senior Police Officer A (<i>01/04 to 16/01/11</i>)	2	89,826	5,725	1,558	418	-	21,738	119,265
Senior Police Officer B (<i>From 17/01/11</i>)	2	23,756	908	933	26	-	5,749	31,372
Assistant Chief Constable								
Senior Police Officer A (<i>From 17/01/11</i>)	2	20,389	1,457	401	108	-	4,934	27,289
Senior Police Officer C (<i>01/04 to 04/07/10</i>)	3	23,069	-	3,870	910	-	5,583	33,432
Senior Police Officer D (<i>From 01/07/10</i>)	3	69,926	29,650	2,947	1,661	-	16,922	121,106
Senior Police Officer E (<i>From 01/04 to 04/07/10 and From 13/12/10</i>)	4	50,384	-	4,733	2,291	-	12,193	69,601
Finance Director		89,012	-	-	5,376	-	14,353	108,741
Director of Human Resources		89,012	-	-	5,390	-	14,353	108,755
Police Authority								
Treasurer (<i>retired 31/12/2010</i>)	5	40,079	-	-	-	-	-	40,079
Chief Executive (<i>left 08/10/2010</i>)	6	39,592	-	-	-	61,514	6,129	107,235
Chief Executive / Treasurer (<i>From 01/01/2011</i>)	7	20,000	-	-	-	-	-	20,000
		692,722	59,155	18,981	16,703	61,514	135,272	984,347

Note 1: Temporary Chief Constable A left the force on the 13 June 2010 and Chief Constable B replaced him. The annualised salary of the Chief Constable for Leicestershire is **£139,119** (01/09/2010)

Note 2: Senior police officer B transferred to the force on the 17 January 2011 on promotion, his annualised salary is **£114,771** and replaced senior police officer A who had been covering the position until a permanent appointment was made. Senior police officer A reverted to their substantive rank of Assistant Chief Constable

Note 3: Senior officer D commenced on the 1 July 2010 at an annualised salary of **£93,753** and replaced temporary senior police officer C on annualised salary of **£88,470**

Note 4: Temporary senior police officer E undertook 2 periods as an Assistant Chief Constable during 2010/11, at an annualised salary of **£90,726**

Leicestershire Police Authority

2
2

Note 5: The Treasurer worked 3 days per week and retired on the 31/12/2010. The whole time equivalent salary of the Treasurer was **£77,425** per year. From the 1st January the Police Authority combined the role of the Chief Executive and Treasurer.

Note 6: The Chief Executive left on the 08/10/2010 on annualised salary of **£77,475**.

Note 7: The role of the Treasurer and Chief Executive has been combined into 1 full time equivalent post from the 1st January 2011, on annualised salary of **£80,000**

Note 8: Expense allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

Note 9: Constabulary - 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 an officer joined the force).

Police Authority - Termination payments of **£61,514** were paid following a re-organisation of the senior management structure of the Police Authority.

Note 10: All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment

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	2010/11		2011/12	
	number of employees		number of employees	
50,000 to 54,999	3		6	
55,000 to 59,999	7		5	
60,000 to 64,999	3		4	
65,000 to 69,999	2		2	
70,000 to 74,999	-		1	
75,000 to 79,999	-		-	
80,000 to 84,999	3		3	
85,000 to 89,999	5		1	
90,000 to 94,999	-		2	

- the bandings only include the remuneration of employees and relevant police officers who have not been disclosed individually

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 £	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	45	17	41	1	86	18	£591,252	£147,332
£20,001 - £40,000	2	1	4	-	6	1	£160,900	£32,337
£40,001 - £60,000	1	-	-	-	1	-	£43,407	-
£60,001 - £80,000	-	1	-	-	-	1	-	£62,425
£80,001 - £100,000	-	-	-	-	-	-	-	-
total	48	19	45	1	93	20	£795,559	£242,094

8. *Members' allowances*

The total amount of members allowances and expenses paid during 2011/12 was £208k (2010/11 £217k).

9. *Sponsorship*

In 2011/12 a total of £53k (2010/11 £64k) was raised in sponsorship. This was used to support operational activities including St Bernard's & Juniper Lodge.

Juniper Lodge provides a specialist service and an appropriate environment for adult victims of rape and sexual assault. St Bernard's provides a similar service for child victims (and witnesses) of rape and sexual assault.

In addition the Authority had the use of third party vehicles at a notional value of £28k (2010/11 £57k).

10. *Related parties*

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

Central government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, and provides the majority of

Notes to the core financial statements

funding in the form of general or specific grants. Details of government grants are set out in a note to the Cash Flow Statement.

Members of the Authority have direct control over the Authority's financial and operating policies. Certain senior officers might also be in a position to influence significantly the policies of the Authority. No material related party transactions have been identified following consultation with members and relevant officers.

The Authority participates in four joint arrangements with other neighbouring police authorities. Please see note 53 - accounting policy A23 for further details.

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

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

2010/11 £000	amounts are shown on an accruals basis	2011/12 £000
(5,412)	Blaby District Council	(5,385)
(9,305)	Charnwood Borough Council	(9,280)
(5,535)	Harborough District Council	(5,593)
(6,316)	Hinckley & Bosworth Borough Council	(6,349)
(13,529)	Leicester City Council	(13,524)
(3,134)	Melton Borough Council	(3,179)
(5,344)	North-West Leicestershire District Council	(5,345)
(3,052)	Oadby & Wigston Borough Council	(3,065)
(2,473)	Rutland County Council	(2,476)
(54,100)	Total	(54,196)

A further analysis of grants and contributions received can be seen in the grant income note below (note 13).

11. External audit costs

In 2011/12 the Authority incurred the following fees relating to external audit.

2010/11 £000		2011/12 £000
73	External audit services	68
73	Total	68

12. Leases

12.1 Authority as lessee

Finance leases

The Authority holds a finance lease in respect of the land at the Spinney Hill LPU (Local Policing Unit). In entering into this lease in 2005, the Authority made an initial lump sum payment which negated the need to make further payments to the landlord over the 99 years of the lease

Operating leases

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

2010/11	2011/12					
Total £000		Property £000	Vehicles £000	Photo- copiers £000	Vending machines £000	Total £000
452	Payments recognised as an expense	328	51	114	14	507
	Minimum lease payments					
	Payable:					
53	Not later than one year	44	11	-		55
490	Later than one year and not later than five years	-	53	364	17	434
4,028	Later than five years	3,769	-	-	53	3,822

A number of beat offices are used by the Authority to support its community policing commitments. Many of these offices are rooms or facilities that are owned by other local authorities or organisations that kindly provide use of them to the Authority. In the majority of cases these facilities are provided informally although some rooms/facilities are more formally documented. The Authority does not pay for the use of these facilities, take responsibility for repairs and upkeep nor has any intention to seek ownership (whether in full or in part) of these facilities. On review, it was found that only one of these beat offices qualifies as an operating lease. The office is provided by a major retailer in the Fosse Park area and has been formally documented, albeit at no lease cost to the organisation.

12.2 Authority as lessor

Operating leases

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

- Office accommodation for the provision of probation services
- Space on radio masts for telecommunication services

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

2010/11 £000		2011/12 £000
	Minimum lease receivables	
	Receivable:	
267	Not later than one year	229
389	Later than one year and not later than five years	202
197	Later than five years	155

13. Grant income

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

2010/11 £000		2011/12 £000
	Credited to services:	
(4,062)	Crime fighting fund	-
(4,724)	Police community support officers	(4,723)
(1,582)	Dedicated security grant	(1,552)
(1,740)	Special operations	(855)
(666)	Proceeds of Crime Act	(350)
(597)	Basic command unit (BCU) fund	-
(580)	Drug testing on charge	(504)
-	OP Horizon	(633)
-	Olympics	(178)
(835)	Rule 2 grants	-
(157)	Loan charges	(150)
(480)	EMSOU (23.1% share)	(404)
(2)	EMASU (33.33% share)	-
(284)	Others	(267)
(15,709)	Total	(9,616)

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

2010/11 £000	<i>Capital grants receipts in advance</i>	2011/12 £000
(4)	ANPR grant (automatic number-plate recognition)	-
-	3D road traffic scanner grants	(106)
-	s106 developer contributions	(14)
(63)	Mobile data grant	(41)
(67)	Total	(161)

14. Trust funds

Police Authorities are required, under SI 1997 no 1908 The Police (Property) Regulations 1997, to set aside monies received from the sale of stolen goods so that it may provide financial support to charities and other deserving organisations.

2010/11 £000		2011/12 £000
13	Opening balance	15
31	Receipts	22
(29)	Donations to charities	(21)
15	Closing balance	16

15. *Intangible assets*

2010/11 £000		2011/12 £000
	Balance at start of year	
6,014	Gross carrying amounts	6,270
(3,892)	Accumulated amortisation	(4,398)
2,122	Net carrying amount at start of year	1,872
	<i>Additions</i>	
566	• Leicestershire	143
-	• EMSOU	-
(365)	Disposals	(103)
54	Transfers	470
	<i>Amortisation for the period</i>	
(863)	• Leicestershire	(833)
(3)	• EMSOU	(3)
361	Amortisation on disposals	66
1,872	Net carrying amount at end of year	1,612
	Comprising:	
6,270	Gross carrying amounts	6,780
(4,398)	Accumulated amortisation	(5,168)
1,872		1,612

Depreciation

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

- 5 – 10 years

Capital commitments

The authority has entered into two contracts for the delivery of intangible assets in 2012/13 budgeted to cost £512k.

16. *Property, plant and equipment*

The Leicestershire County Council Estates Department has been retained on behalf of the Authority to provide valuation services. A full revaluation was completed at 31st March 2009, the impact of which is contained within the figures below. A further assessment was made at 31st March 2011 & 31st March 2012 to establish whether any interim changes in valuation had occurred. The results of this assessment are contained within the figures below. The land & buildings net carrying amount below includes £110k in respect of the land at Spinney Hill. The land is held under a finance lease.

Following a review to identify components within the authority's non-current assets, it was found that the headquarters communications building has two components - heating/ventilation and electrical installation – which have been separated out from the main structure on the Authority's asset registers. The two components are considered to have an identical useful life, however, hence they are combined together for depreciation purposes. The heating/ventilation & electrical installation component is carried in the balance sheet at a net book value of £580k (31 March 2011 - £646k) – the remainder of the building structure being held at a net book value of £1.64m (31 March 2011 - £0.99m).

Further details on assets under construction can be seen in Note 20.

Notes to the core financial statements

	Property, plant and equipment					assets under construction £000
	land and buildings £000	vehicles £000	equipment £000	helicopter (1/3rd share) £000	total PPE £000	
2011/12						
Cost or valuation						
At 1 April 2011	53,507	6,556	14,152	1,459	75,674	843
Additions • Leicestershire	1,436	1,166	630	-	3,232	1,141
• EMASU	-	-	-	-	-	-
• EMSOU	-	39	41	-	80	-
• EMTSU	-	4	14	-	18	-
Revaluations / impairments						
• Leicestershire	159	-	-	-	159	-
• EMASU	1	-	-	-	1	-
• EMSOU	-	-	-	-	-	-
Disposals • Leicestershire	-	(714)	(361)	-	(1,075)	(3)
• EMASU	-	-	-	-	-	-
• EMSOU	-	(7)	(18)	-	(25)	-
Transfers • Leicestershire	(1,828)	-	796	-	(1,032)	(1,262)
• EMASU	-	-	-	-	-	-
• EMSOU	-	-	-	-	-	-
At 31 March 2012	53,275	7,044	15,254	1,459	77,032	719
Accumulated depreciation and impairment						
At 1 April 2011	(1,010)	(3,724)	(9,856)	(584)	(15,174)	-
<i>Depreciation charge</i>						
• Leicestershire	(1,097)	(929)	(2,000)	-	(4,026)	-
• EMASU	(4)	(2)	(9)	(146)	(161)	-
• EMSOU	-	(28)	(36)	-	(64)	-
• EMTSU	-	-	-	-	-	-
Disposals • Leicestershire	-	535	294	-	829	-
• EMASU	-	-	-	-	-	-
• EMSOU	-	6	-	-	6	-
<i>Adjustment due to revaluations</i>						
• Leicestershire	585	-	-	-	585	-
• EMASU	3	-	-	-	3	-
• EMSOU	-	-	-	-	-	-
<i>Adjustment in respect of transfers</i>						
• Leicestershire	-	-	-	-	-	-
• EMASU	-	-	-	-	-	-
• EMSOU	-	-	-	-	-	-
At 31 March 2012	(1,523)	(4,142)	(11,607)	(730)	(18,002)	-
Net book value						
at 31 March 2012	51,752	2,902	3,647	729	59,030	719
at 31 March 2011	52,497	2,832	4,296	875	60,500	843

Notes to the core financial statements

	Property, plant and equipment					assets under construction £000
	land and buildings £000	vehicles £000	equipment £000	helicopter (1/3rd share) £000	total PPE £000	
2010/11						
Cost or valuation						
At 1 April 2010	52,965	6,679	13,353	1,459	74,456	38
Additions • Leicestershire	-	935	1,362	-	2,297	859
• EMASU	-	-	-	-	-	-
• EMSOU	-	45	13	-	58	-
Revaluations / impairments						
• Leicestershire	1,017	-	-	-	1,017	-
• EMASU	5	-	-	-	5	-
• EMSOU	-	-	-	-	-	-
Disposals • Leicestershire	-	(1,076)	(576)	-	(1,652)	-
• EMASU	-	-	-	-	-	-
• EMSOU	-	(27)	-	-	(27)	-
Transfers • Leicestershire	(480)	-	-	-	(480)	(54)
• EMASU	-	-	-	-	-	-
• EMSOU	-	-	-	-	-	-
At 31 March 2011	53,507	6,556	14,152	1,459	75,674	843
Accumulated depreciation and impairment						
At 1 April 2010	(809)	(3,590)	(8,014)	(438)	(12,851)	-
<i>Depreciation charge</i>						
• Leicestershire	(685)	(976)	(2,228)	-	(3,889)	-
• EMASU	(3)	(2)	(9)	(146)	(160)	-
• EMSOU	-	(51)	(69)	-	(120)	-
Disposals • Leicestershire	-	872	464	-	1,336	-
• EMASU	-	-	-	-	-	-
• EMSOU	-	23	-	-	23	-
<i>Adjustment due to revaluations</i>						
• Leicestershire	484	-	-	-	484	-
• EMASU	3	-	-	-	3	-
• EMSOU	-	-	-	-	-	-
<i>Adjustment in respect of transfers</i>						
• Leicestershire	-	-	-	-	-	-
• EMASU	-	-	-	-	-	-
• EMSOU	-	-	-	-	-	-
At 31 March 2011	(1,010)	(3,724)	(9,856)	(584)	(15,174)	-
Net book value						
at 31 March 2011	52,497	2,832	4,296	875	60,500	843
at 31 March 2010	52,156	3,089	5,339	1,021	61,605	38

Depreciation

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

- Buildings – 10 – 50 years
- Land – not depreciated
- Vehicles – 5 years
- Equipment – 5 – 10 years
- Helicopter - 10 years
- Assets under construction – not depreciated

Capital commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2012/13 and future years budgeted to cost £1.52m - similar commitments at 31 March 2011 were £3.18m - the major commitments are:

- Wigston - £0.85m
- Hinckley - £0.67m

Effects of Changes in Estimates

Plans to demolish the Loughborough police station during 2013/14 in favour of a new building on the same site have resulted in the useful economic life being reduced to two years. The impact of this change is an increase in depreciation of £401k compared to 2010/11.

17. Capital expenditure and capital financing

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

2010/11 £000		2011/12 £000
21,815	Opening capital financing requirement	20,360
	<i>Capital investment</i>	
3,891	Operational assets	3,731
859	Non-operational assets	1,141
	<i>Sources of finance</i>	
(114)	Capital receipts	(952)
(2,381)	Government grants & other contributions	(1,693)
(2,177)	Revenue contribution - force	(2,132)
(60)	Revenue contribution - EMSOU	(78)
(20)	Revenue contribution - EMASU	-
-	Revenue contribution - EMTSU	(18)
(1,453)	Revenue provision (incl. MRP)	(1,437)
20,360	Closing capital financing requirement	18,922
	Explanations of movements in year	
(1,455)	Increase/ (decrease) in underlying need to borrow (supported by government financial assistance)	(1,438)
-	Increase in underlying need to borrow (unsupported by government financial assistance)	-
(1,455)	Increase/(decrease) in capital financing requirement	(1,438)

The figure shown above for capital expenditure during 2011/12 differs from the amounts shown as additions on (a) the intangible and (b) property, plant and equipment notes (notes 15 and 16 respectively). The figure can be reconciled as follows:

2010/11 £000		2011/12 £000
4,750	Capital expenditure for the year (as above)	4,872
(970)	Less: Revenue expenditure financed from capital resources under statute (REFCUS) in the year	(258)
3,780		4,614

18. Investment property

The Authority has reviewed its non-current assets to identify where an income stream is realised from the asset. In doing so, the Authority identified its telecommunications masts as potentially being classified as investment property. The masts are in general used for operational purposes to host the Authority's telecommunications networks. However capacity on the masts is also re-sold to the telecommunications industry to operators looking to boost their coverage for 2G/3G networks.

Following a detailed review by an independent firm of chartered surveyors, all masts except one were found to have operational use – hence their continued recognition as non-current assets (within property, plant & equipment) and outside the scope of this note.

One of the Authority's telecommunications masts, at Braunstone police station, meets the definition of an investment property and adjustments have been made to the accounts to reflect this. The mast has been recognised at market value within the Authority's balance sheet. This adjustment has been made with effect from 1st April 2009.

The income and expenditure realised from the mast (included in the *Financing and Investment Income & Expenditure* line on the Comprehensive Income & Expenditure Statement) is as follows:

2010/11 £000	Braunstone Telecommunications Mast	2011/12 £000
(25)	Rental income from investment property	(45)
2	Direct operating expenses arising from investment property	4
(23)	Net (gain)/loss excluding movements in market value	(41)

Gains or losses on the income and expenditure generated by the telecommunications mast are transferred to the radio mast income earmarked reserve (see note 31) together with the surplus/deficit generated from the other Authority's telecommunications masts that have not been classified as investment property. This reserve is used to support the ongoing maintenance of the masts to preserve the income generation potential. It should be noted that the Authority has other telecommunications masts that are not classified as investment properties, the movement on the radio mast income earmarked reserve will therefore differ to that shown above.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment property over the year:

Notes to the core financial statements

2010/11 £000		2011/12 £000
285	Balance at the start of the year	282
-	Purchases	-
-	Construction	-
-	Subsequent expenditure	-
-	Additions	-
-	Disposals	-
(3)	Net gains/(losses) from fair value adjustments	20
-	Transfers to/from inventories	-
-	Transfers to/from property, plant & equipment	-
-	Transfers	-
-	Other changes	-
282	Balance at the end of the year	302

19. Assets held for sale

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

Properties at Blaby, Quorn, Shepshed and Uppingham were sold during 2011/12. Two properties, earmarked for disposal in 2010/11 – Ashby and Bottesford, were being actively marketed as at 31 March 2012. In addition, properties at Hinckley, Oakham and Kilby were being actively marketed as at 31 March 2012.

After the balance sheet date, on 24 May 2012, the authority decided to sell properties at Belgrave, New Parks and Lutterworth. These properties are retained within Non-Current Assets at the balance sheet date as they did not satisfy the criteria to be classified as assets held for sale at 31st March 2012.

2010/11 £000		2011/12 £000
-	Balance at the start of the year	398
	Assets classified as held for sale:	
480	Property, plant & equipment	1,828
-	Intangible assets	-
-	Other assets/liabilities in disposal groups	-
(82)	Revaluation losses	(382)
-	Revaluation gains	-
-	Impairment losses	-
	Assets declassified as held for sale:	
-	Property, plant & equipment	-
-	Intangible assets	-
-	Other assets/liabilities in disposal groups	-
-	Assets sold	(518)
398	Balance at the end of the year	1,326

20. Assets under construction

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

31 st March 2011 £000		31 st March 2012 £000
36	Intangible assets	85
-	Property	283
775	IT equipment	341
32	Operational equipment	10
843		719

21. Inventories

31 st March 2011 £000		31 st March 2012 £000
135	Police uniforms	93
99	Vehicle parts and fuel	98
42	Stationery	34
16	Catering supplies	14
1	Other	-
293		239

22. Debtors

31 st March 2011 £000		31 st March 2012 £000
	Long-term debtors	
79	Car loans to employees	69
-	Long term payments in advance	35
79		104
	Short-term debtors	
3,115	Central government bodies	10,373
2,707	Local & police authorities	4,093
464	Sundry debtors	782
47	Car loans to employees	57
(7)	Less: impairment allowance	(4)
6,326		15,301

Long term payments in advance relates to IT spend for future years' maintenance and software licences.

Central government bodies (above) includes £6,173k (as at 31st March 2011 - £896k) receivable from the Home Office in respect of the pensions fund holding account.

Included within the Local & police authorities figures above are debtors in respect of the Authority's share of council tax collection fund debtors of £1,735k (as at 31st March 2011 - £1,547k).

23. Cash & cash equivalents

Cash & cash equivalents is made up of the following elements:

31 st March 2011 £000		31 st March 2012 £000
6,146	Bank accounts & petty cash	6,300
17,503	Cash investments (less than three months maturity)	14,512
(1,169)	Adjustment for cash & cash equivalents held on behalf of joint arrangements	(403)
22,480	Total cash & cash equivalents	20,409

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

Short-term investments on the balance sheet represents those deposits made by the Authority which are due to mature within four to twelve months and are outstanding at the balance sheet date. Interest earned on investments is credited to the Comprehensive Income & Expenditure Statement on an accruals basis. The balance sheet figure therefore includes interest earned but not paid as at 31st March of each year. The impact of this interest accrual is shown below:

31 st March 2011 £000		31 st March 2012 £000
10	Cash investments (four to twelve months maturity)	10
-	Interest receivable accrued at 31 st March	-
10	Total short-term investments	10

The figure for short-term investments above does not include any significant cash investments as at 31st March 2012 all outstanding investments had a maturity date of less than three months (hence the increase in cash & cash equivalents above).

24. Deferred liabilities

31 st March 2011 £000		31 st March 2012 £000
(3,752)	Leicestershire County Council	(3,113)

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

25. Creditors

31 st March 2011 £000		31 st March 2012 £000
	Short-term creditors	
(3,362)	Central government bodies	(3,596)
(2,218)	Police & local authorities	(3,883)
(197)	Capital creditors	(245)
(1,260)	Salary & overtime payments	(1,042)
(1,824)	Sundry creditors	(1,978)
(8,861)		(10,744)

Included within the police & local authorities figures above are creditors in respect of the Authority's share of council tax collection fund creditors of £1,556k (as at 31st March 2011 - £1,373k)

26. Long term borrowing

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

31 st March 2011 £000	<i>Maturity</i>	31 st March 2012 £000
-	not more than 2 years	-
-	more than 2 years - not more than 5 years	-
(1,723)	more than 5 years -not more than 10 years	(1,723)
(2,282)	more than 10 years -not more than 15 years	(4,172)
(8,394)	More than 15 years	(6,504)
(12,399)		(12,399)

A significant proportion of the Authority's long-term borrowing - 86.1% matures more than 10 years after the balance sheet date. The maximum amount repayable in any one year is **£3.46m**.

27. Financial instruments

A financial instrument is any contract that results in a financial asset on the balance sheet of one entity (for example the Authority) 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 fair value of each class of financial assets and liabilities which is carried in the balance sheet at amortised cost is as follows:

Notes to the core financial statements

31 st March 2011			31 st March 2012	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
		Financial assets		
6,326	6,326	Short-term debtors	15,301	15,301
838	838	Payments in advance	1,537	1,537
10	10	Short-term investments	10	10
22,480	22,480	Cash & cash equivalents	20,409	20,409
		Financial liabilities		
(8,861)	(8,861)	Short-term creditors	(10,744)	(10,744)
(914)	(914)	Receipts in advance	(905)	(905)
(67)	(67)	Capital grants receipts in advance	(161)	(161)
(189)	(189)	PWLB - short term borrowing	(131)	(131)
(12,399)	(14,014)	PWLB - long term borrowing	(12,399)	(16,164)

The financial assets listed above 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 debtors and creditors, the fair value is taken to be the invoiced amount.

The PWLB borrowing has a fair value that is higher than the carrying amount. This is because borrowing with the PWLB is on the basis of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The fair value of PWLB borrowing has been calculated by reference to the "premature repayment" set of rates as at 31st March 2012.

28. Provisions

	Balance at 1 April 2011 £000	additional provisions made £000	amounts used £000	unused amounts reversed £000	Balance at 31 March 2012 £000
Carbon reduction commitment	-	(80)	-	-	(80)
Civil claims	(257)	(256)	151	48	(314)
Total	(257)	(336)	151	48	(394)

The carbon reduction commitment of £80k is the estimate of the authority's liability under this scheme.

The civil claims provision reflects the self insured part of public and employers liability claims where the Authority's claims handlers have advised there is a high probability of economic benefits being transferred in the future. Claims that have been recorded but are not likely to result in a transfer of economic benefits (in the view of the Authority's third-party claims handlers) have been reserved for where the Authority considers it prudent to do so. These amounts are held in the civil claims earmarked reserve and more details can be seen in note 31 below.

29. Usable reserves

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

Notes to the core financial statements

31 st March 2011 £000		Note	31 st March 2012 £000
18,513	Earmarked reserves	31	23,238
8	Capital grants and contributions unapplied	36	6
5,253	General fund	32	5,253
23,774	Total usable reserves		28,497

30. Unusable reserves

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

31 st March 2011 £000		Note	31 st March 2012 £000
42,786	Capital adjustment account	38	42,481
748	Revaluation reserve	37	1,585
174	Collection fund adjustment account	39	179
(1,259,524)	Pension reserve	33	(1,338,096)
(2,679)	Accumulated absences account	40	(1,824)
(1,218,495)	Total unusable reserves		(1,295,675)

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

Notes to the core financial statements

31. Transfers to/from earmarked reserves

These reserves are earmarked for the specific purposes noted below:

Reserve name	Balance at 1 April 2010 £000	transfers out 2010/11 £000	transfers in 2010/11 £000	Balance at 31 March 2011 £000	transfers out 2011/12 £000	transfers in 2011/12 £000	Balance at 31 March 2012 £000
Capital expenditure	241	(1,595)	2,500	1,146	(1,593)	2,291	1,844
Budget equalisation	7,527	(941)	2,297	8,883	(2,215)	4,010	10,678
PCSOs	2,176	(1)	206	2,381	-	205	2,586
Proceeds of Crime Act	700	(447)	801	1,054	(259)	160	955
Carry-forwards (specific)	261	(663)	1,423	1,021	(1,021)	2,006	2,006
Public order	-	-	1,000	1,000	-	134	1,134
Civil claims	-	(257)	1,063	806	(196)	147	757
Pensions (general)	751	-	-	751	-	-	751
SPP (Special priority payments)	175	-	-	175	(175)	-	-
Job evaluation	-	-	150	150	-	-	150
Equipment replacement	124	-	25	149	-	-	149
Juniper Lodge	-	-	111	111	(43)	44	112
Fleet insurance	100	(185)	192	107	(160)	153	100
Drug testing on charge (Counties BCU)	60	-	-	60	-	-	60
Radio mast income	59	(23)	23	59	(59)	-	-
PA development programme	50	-	-	50	-	-	50
CRB	-	-	40	40	-	19	59
PCC transition	-	-	-	-	-	500	500
IT infrastructure	35	-	-	35	-	-	35
PA tribunals	20	-	-	20	-	-	20
Other	25	(7)	-	18	(5)	8	21
Funds held on behalf of partners							
Operation Liberal	173	-	-	173	-	205	378
Regional collaboration	-	-	-	-	-	515	515
Subtotal : force	12,477	(4,119)	9,831	18,189	(5,726)	10,397	22,860
EMSOU reserves - 23.1% share	239	(31)	13	221	(20)	53	254
EMTSU	-	-	-	-	-	40	40
EMASU reserves - 1/3 share	131	(41)	13	103	(19)	-	84
Grand total	12,847	(4,191)	9,857	18,513	(5,765)	10,490	23,238
movement in the year			5,666			4,725	

Capital expenditure

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

Budget equalisation

This represents revenue funds set aside to part fund the future revenue budget requirements of the Authority.

Police Community Support Officers (PCSOs)

This provides an element for the future funding of police community support officers. Transfers to the reserve represent the savings in the traffic wardens budget and grant / partnership funding received in excess of the expenditure incurred.

Proceeds of Crime Act

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

Carry-forwards (specific)

This reserve includes those sums that the Police Authority has approved to carry forward to finance specific expenditure in 2012/13

Public order

A reserve held to support the Authority's commitments in the future to policing public order in Leicestershire. This reserve includes (but is not limited to) funds set aside to support the Authority's commitment to the London Olympics in 2012.

Civil claims

This reserve holds revenue funds that have been set aside where considered prudent by the Authority against Civil Claims (Public & Employer Liability) that independent advice suggests is unlikely to result in the transfer of economic benefits (i.e. to meet the criteria of a "provision"). The Authority sets aside these funds to minimise any unforeseen adverse impact on its Comprehensive Income & Expenditure Statement. Further reference to this reserve is made in Note 46 – contingent liabilities.

Pensions (general)

The general pensions reserve exists to help the force meet future but uncertain pensions costs. These are most likely to arise from ill health retirements of police officers. The number, timing and cost of these is unpredictable and would have a direct and adverse impact on the Comprehensive Income & Expenditure Statement.

SPP (special priority payments)

SPP's have now ceased under the Windsor Review Part 1 from the 1st April 2012. The balance on this reserve has been transferred to the Equalisation Reserve.

Job evaluation

This reserve is to support the future job evaluation scheme led by the human resources department.

Equipment replacement

This provides an element for future funding of the renewal and replacement of equipment.

Juniper Lodge

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

Fleet insurance

The excess on the vehicle insurance policy is **£10k**. The reserve is to meet the cost of claims that fall below this value.

Drug testing on charge (DTOC) – counties BCU

This provides an element of future funding for the drug testing on charge project which is not covered by the Home Office grant.

Radio mast income

This reserve has been fully utilised during 2011/12 on the purchase of a new generator.

PA (Police Authority) development programme

A reserve held to support development of the police authority during 2012/13.

CRB (Criminal Records Bureau)

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

PCC transition

A reserve established to meet the costs of the transition to the establishment of the new police and crime commissioner. The reserve will be managed by the authority's transition board.

IT Infrastructure

A reserve held to provide resilience for the authority's information technology infrastructure.

PA (Police Authority) Tribunals

A reserve held to support potential future expenditure connected with misconduct hearings, the numbers of which vary significantly from year to year.

Operation Liberal

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

Regional collaboration

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

EMSOU reserves

This represents the authority's share of reserves held by the East Midlands Special Operations Unit.

EMTSU

This represents the authority's share of reserves held by the East Midlands Technical Surveillance Unit.

EMASU

This represents the authority's share of reserves held by the East Midlands Air Support Unit.

32. General fund

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

2010/11 £000		2011/12 £000
5,253	At 1 st April	5,253
-	Movement in the year	-
5,253	At 31 st March	5,253

33. 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.

Notes to the core financial statements

The authority 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 Authority 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 Authority 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.

2010/11 £000		Note	2011/12 £000
(1,312,630)	Balance at 1st April		(1,259,524)
13,834	Actuarial gains or losses on pensions assets and liabilities	34	(12,845)
6,887	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	34	(106,801)
26,592	Employer's pensions contributions and direct payments to pensioners payable in the year	34	26,817
5,793	Pension fund grant from the Home Office in respect of the police pension schemes		14,257
(1,259,524)	Balance at 31st March		(1,338,096)

Note 34 – Defined benefit pension schemes provides further analysis of the figures shown above together with an explanation for their existence.

34. **Defined benefit pension schemes**

Participation in pension schemes

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

The Authority participates in the following pension schemes:

- The Local Government Pension Scheme for police staff, is administered by Leicestershire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets
- Three police pension schemes for police officers:
 - the *1987 scheme* which was closed to new entrants on 31st March 2006, and
 - the *2006 scheme* which is available to new entrants from 1st April 2006 onwards.
 - Injury awards

All are unfunded defined benefit final salary schemes, meaning 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. Police officers (or transferees from other forces) who were members of the old scheme at 1st April 2006 are able to retain their membership or elect to transfer to the new scheme, whilst all newly recruited police officers are limited to the new scheme. Employer contributions were paid at 24.2% during 2011/12 on both schemes.

Notes to the core financial statements

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

Transactions relating to post-employment benefits

The Authority 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 we are 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:

	Local Government Pension Scheme		Police Pension Schemes		Comprehensive Income & Expenditure Account	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Cost of services:						
Current service cost	5,753	4,955	30,954	33,948	36,707	38,903
Past service cost	(13,782)	-	(102,670)	-	(116,452)	-
Curtailment	171	139	-	-	171	139
	(7,858)	5,094	(71,716)	33,948	(79,574)	39,042
Financing & investment income/expenditure:						
Interest cost	7,776	6,260	71,178	67,983	78,954	74,243
Expected return on assets in the scheme	(6,267)	(6,484)	-	-	(6,267)	(6,484)
Net charge to surplus / deficit on provision of services	(6,349)	4,870	(538)	101,931	(6,887)	106,801
Other comprehensive income & expenditure:						
Actuarial (gains)/losses	(32,387)	12,845	18,553	-	(13,834)	12,845
Net charge to total comprehensive income & expenditure	(38,736)	17,715	18,015	101,931	(20,721)	119,646
Statement of Movement in Reserves:						
Reversal of items not permitted to be charged to the general fund by statute	43,414	(13,344)	3,899	(79,485)	47,313	(92,829)
Actual amounts charged against the general fund balance for pensions in the year:						
Employers' contributions payable to schemes	4,678	4,371	19,869	20,488	24,547	24,859
Direct payments - Injury awards payable	-	-	2,045	1,958	2,045	1,958
Net charge to general fund	4,678	4,371	21,914	22,446	26,592	26,817

Notes to the core financial statements

Amounts charged to *non-distributed costs* in the Comprehensive Income & Expenditure Account are analysed as follows:

2010/11 £000		2011/12 £000
(116,452)	Past service cost	-
171	Curtailments	139
(116,281)	Non-distributed costs	139

Amounts charged to *Financing & Investment Income and Expenditure* in the Comprehensive Income & Expenditure Account are analysed as follows:

2010/11 £000		2011/12 £000
78,954	Interest cost	74,243
(6,267)	Expected return on assets in the scheme	(6,484)
72,687	Pensions interest cost and expected return on pension assets	67,759

Amounts charged to *IAS 19 Current Cost Adjustment (pensions)* in the Subjective Analysis (note 2) are analysed as follows:

2010/11 £000		2011/12 £000
36,707	Current service cost	38,903
(26,592)	Less: employers contributions	(26,817)
10,115	IAS 19 Current cost adjustment (pensions)	12,086

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2013 are £4.458m. Expected contributions for the police pension schemes in the year to 31st March 2013 are £35.8m.

Assets & liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities:		Unfunded liabilities:	
	Local Government Pension Scheme		Police pension schemes	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Balance at 1st April	150,656	111,824	1,247,110	1,237,418
Current service cost	5,753	4,955	30,954	33,948
Interest cost	7,776	6,260	71,178	67,983
Contributions by scheme participants	2,081	1,953	8,704	8,517
Actuarial gains & losses	(35,684)	6,826	18,553	-
Benefits paid	(5,147)	(3,012)	(36,411)	(45,220)
Past service costs/curtailments	(13,611)	139	(102,670)	-
Balance at 31st March	111,824	128,945	1,237,418	1,302,646

Notes to the core financial statements

Reconciliation of fair value of the scheme assets:

2010/11 £000	Scheme assets: Local Government Pension Scheme	2011/12 £000
85,136	Balance at 1st April	89,718
6,267	Expected return on assets	6,484
(3,297)	Actuarial gains & losses	(6,019)
4,678	Employer contributions	4,371
2,081	Contributions by scheme participants	1,953
(5,147)	Benefits paid	(3,012)
89,718	Balance at 31st March	93,495

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £0.5m (2010/11 - £7.5m).

Scheme histories

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities:					
Police officer 1987 pension scheme	963,872	788,897	1,157,523	1,157,208	1,213,745
Police officer 2006 pension scheme	2,538	3,400	12,633	16,241	21,778
Police officer injury award scheme	63,955	53,524	76,954	63,969	67,123
Local Government Pension Scheme	80,155	80,696	150,656	111,824	128,945
Total liabilities	1,110,520	926,517	1,397,766	1,349,242	1,431,591
Fair value of assets in the Local Government Pension Scheme	(75,093)	(58,196)	(85,136)	(89,718)	(93,495)
Net liabilities:	1,035,427	868,321	1,312,630	1,259,524	1,338,096
Split as:					
Police officer 1987 pension scheme	963,872	788,897	1,157,523	1,157,208	1,213,745
Police officer 2006 pension scheme	2,538	3,400	12,633	16,241	21,778
Police officer injury award scheme	63,955	53,524	76,954	63,969	67,123
Local Government Pension Scheme	5,062	22,500	65,520	22,106	35,450

The Authority elected not to restate the fair value of scheme assets for 2005/06 and 2006/07 as permitted by FRS 17 (now replaced by IAS 19). A separate valuation of the three police schemes was first carried out in 2007/08.

Notes to the core financial statements

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £1,338m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £1,267m. However, the statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. With effect from 1st April 2011 (valuation date 31/3/2010) the employer's contribution rate has increased to 14.5% (variable rate for 2010/11 equal to 2.15 times the employees rate – averaging out to less than 14%) and is due to rise to 15.2% and 15.7% in 2012/13 and 2013/14 respectively. The deficit on the LGPS scheme has decreased by £30m between March 2010 and March 2012.
- Under the 2006 police pension scheme funding arrangements, any shortfall between the employer's contributions to the pension fund and the pensions paid to former officers will be met by the Home Office through a top-up grant. The rate (%) at which employer contributions are made to the pension fund is set by the Home Office.

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

Mortality assumptions for both the LGPS and police pension schemes are as follows:

Mortality	Local Gov't Scheme		Police Schemes	
	2010/11 Years	2011/12 Years	2010/11 Years	2011/12 Years
Longevity at 65 (60 for police schemes) for current pensioners:				
- Men	20.9	20.9	26.8	26.9
- Women	23.3	23.3	29.1	29.1
Longevity at 65 (60 for police schemes) for future pensioners:				
- Men	23.3	23.3	28.4	28.5
- Women	25.6	25.6	30.7	30.8

The main additional assumptions used in the calculations are:

	Local Gov't Scheme		Police schemes	
	2010/11	2011/12	2010/11	2011/12
- rate of inflation	2.8%	2.5%	3.0% ²	2.6%
- rate of increase in salaries	5.1%	4.8%	4.5%	4.1%
- rate of increase in pensions	2.8%	2.5%	3.0%	2.6%
- rate for discounting scheme liabilities	5.5%	4.8%	5.5%	5.1%
- take-up of option to convert annual pension into retirement lump sum	50.0% ¹	50.0% ¹	50.0%	50.0%

notes

¹ 50% applies to pre-April 2008 service, whilst 75% is assumed for post-April 2008 service.

² Previously the rate of inflation was at RPI (retail price index), for 2010/11 onwards this is now CPI (consumer price index).

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:

31 st March 2011			31 st March 2012	
£000	Expected return (% per annum)		£000	Expected return (% per annum)
73,210	7.5%	Equity Investments	60,772	6.2%
6,280	4.9%	Bonds	14,959	3.9%
9,869	5.5%	Property	10,284	4.4%
359	4.6%	Cash	7,480	3.5%
89,718			93,495	

The actuarial gains identified as movements on the pensions reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012:

1987 police pension scheme:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and (losses) on liabilities	(3.8)	29.4	(28.0)	(2.7)	0.0

2006 police pension scheme:

(prior to 2007/08 the police schemes were valued in aggregate)

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and (losses) on liabilities	(26.4)	62.9	(45.0)	0.4	0.0

“INJURY” police pension scheme:

(prior to 2007/08 the police schemes were valued in aggregate)

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and (losses) on liabilities	6.8	(26.8)	26.3	(19.9)	0.0

Local government pension scheme:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	(13.3)	(46.0)	21.6	(3.7)	(6.4%)
Experience gains and (losses) on liabilities	(3.4)	0.0	(0.0)	10.8	(0.7)

35. Capital receipts reserve

This reserve is cash backed. Capital receipts from the disposal of assets are held in the capital receipts reserve until such time as they are used to finance other capital expenditure.

2010/11 £000		2011/12 £000
114	Capital receipts received in the year	952
(114)	Amounts applied to finance new capital investment in the year	(952)
	Total increase / (decrease) in realised capital receipts in the year	-
-	Balance brought forward at 1 st April	-
-	Balance carried forward at 31st March	-

36. Capital grants & contributions unapplied

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

2010/11 £000		2011/12 £000
2,286	Amounts receivable in the year	1,484
-	Amounts transferred in respect of a regional capital project	-
(2,289)	Amounts applied to finance new capital investment in the year	(1,486)
(3)	Total increase / (decrease) in the year	(2)
11	Balance brought forward at 1 st April	8
8	Balance carried forward at 31st March	6

37. Revaluation reserve

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

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

There are currently no residual revaluation gains held in respect of EMSOU.

2010/11		2011/12		
£000		Force £000	EMASU (1/3) £000	Total £000
	Movements in unrealised value of non-current assets			
292	Gains on upward revaluation of non-current assets	906	4	910
(57)	Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services		-	-
(6)	Transfer to capital adjustment account in respect of non-current asset depreciation (on a revaluation gain)	(18)	-	(18)
-	Transfer to capital adjustment account in respect of residual gains held at the point of disposal of a non-current asset	(55)	-	(55)
229	Total movement on reserve in the year	833	4	837
519	Opening balance at 1st April	740	8	748
748	Closing balance at 31st March	1,573	12	1,585

38. Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairments losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the revaluation reserve related to residual gains). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

2010/11	(See note 1 for further details)	2011/12				Total
		Force	EMSOU	EMTSU	EMASU	
£000		£000	£000	£000	£000	£000
(5,035)	Depreciation/amortisation charge in year	(4,860)	(67)	-	(160)	(5,087)
6	Amounts transferred from revaluation reserve in respect of depreciation/amortisation	18	-	-	-	18
1,274	Transfer from Comprehensive Income & Expenditure Statement in respect of non-current asset revaluations	(163)	-	-	-	(163)
(82)	Revaluation on non-current assets held for sale	(382)	-	-	-	(382)
(970)	Revenue Expenditure funded from Capital under Statute (REFCUS)	(250)	(8)	-	-	(258)
	Transfer from revaluation reserve in respect of residual gains held at the point of disposal of a non-current asset	55	-	-	-	55
(325)	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	(809)	(8)	-	-	(817)
(5,132)	Net amount written-out of the cost of non-current assets consumed in the year	(6,391)	(83)	-	(160)	(6,634)
2,257	Capital expenditure charged against the general fund	2,131	78	18	-	2,227
114	Use of the capital receipts reserve to finance new capital expenditure	952	-	-	-	952
2,378	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,682	9	-	-	1,691
3	Application of grants to capital financing from the capital grants unapplied account	2	-	-	-	2
960	Revenue provision (including MRP)	998	-	-	-	998
493	Voluntary revenue provision for capital financing	439	-	-	-	439
(3)	Movements in the market value of investment properties charged to the Comprehensive Income & Expenditure Statement	20	-	-	-	20
1,070	Total movement during the year	(167)	4	18	(160)	(305)
41,716	Opening balance at 1 st April	41,569	158	-	1,059	42,786
42,786	Closing balance at 31st March	41,402	162	18	899	42,481

39. Collection fund adjustment account

The collection fund adjustment account represents the Authority's share of the collection fund surplus/deficit held by each council tax billing authority within Leicestershire & Rutland. For 2010/11 and 2011/12, the breakdown of the figure on the Authority's balance sheet is as follows:

Collection fund heading	Blaby District Council	Charnwood Borough Council	Harborough District Council	Hinckley & Bosworth Borough Council	Leicester City Council	Melton Borough Council	Oadby & Wigston Borough Council	North-West Leicestershire District Council	Rutland County Council	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2011/12										
Council tax arrears	236	456	274	140	998	203	78	238	34	2,657
Impairment allowance for bad/doubtful debts	(71)	(176)	(64)	(38)	(443)	(10)	(22)	(125)	(9)	(958)
Council tax overpayments & prepayments	(65)	(167)	(63)	(76)	(154)	(55)	(38)	(81)	-	(699)
Collection fund (surplus) / deficit	(43)	(23)	(13)	(7)	(53)	16	(36)	(17)	(3)	(179)
Cash	57	90	134	19	348	154	(18)	15	22	821
2010/11										
Council tax arrears	208	420	224	126	911	173	77	182	26	2,347
Impairment allowance for bad/doubtful debts	(67)	(158)	(58)	(32)	(407)	(10)	(22)	(110)	(7)	(871)
Council tax overpayments & prepayments	(62)	(146)	(62)	(79)	(160)	(56)	(38)	(78)	-	(681)
Collection fund (surplus) / deficit	(21)	(48)	(63)	(11)	60	3	(22)	(60)	(12)	(174)
Cash	58	68	41	4	404	110	(5)	(66)	7	621

The Authority's collection fund adjustment account therefore has a credit balance (surplus) of **£179k** at 31st March 2012 (2010/2011– credit balance (surplus) of **£174k**).

Notes to the core financial statements

The balance on the collection fund adjustment account can be analysed as follows:

2010/11 £000		2011/12 £000
(192)	Balance at 1st April	174
366	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	5
174	Balance at 31st March	179

40. *Accumulated absences account*

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

2010/11 £000		2011/12 £000
(2,894)	Balance at 1st April	(2,679)
2,894	Reversal of opening accrual made at the end of the preceding year	2,679
(2,679)	Amounts accrued at the end of the current year	(1,824)
215	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	855
(2,679)	Balance at 31st March	(1,824)

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

41. *Cash flow statement – operating activities*

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

2010/11 £000		2011/12 £000
(4,169)	Depreciation	(4,251)
(82)	Impairment and downward valuations	(382)
(866)	Amortisation	(836)
(147)	Increase /(decrease) in impairment bad debts	(3)
2,380	Increase/decrease in creditors	(1,813)
(1,453)	Increase/decrease in debtors	9,695
(12)	Increase/decrease in inventories	(54)
33,479	Movement in pension liability	(79,984)
(325)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(817)
(319)	Other non-cash items charged to the net surplus or deficit on the provision of services	687
28,486		(77,758)

Notes to the core financial statements

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

2010/11 £000		2011/12 £000
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
114	Proceeds from the sale of PP&E, investment property and intangible assets.	952
2,378	Any other items for which the cash effects are investing or financing flows	1,691
2,492		2,643

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

2010/11 £000		2011/12 £000
164,938	Payments made in respect of employees, ill-health pensioners and injury awards	160,834
666	Interest paid	834
(53,734)	Council tax (Precept) income	(54,191)
(46,617)	National non-domestic rates income	(36,649)
(6,769)	Revenue support grant income	(11,328)
(67,996)	Police grant income	(73,782)
(16,834)	Other grant income	(8,434)
(134)	Interest received	(139)

There are additional items that take place between the force and the pension fund account. Amounts are paid by the force – on behalf of the fund – in advance of receipt of the Home Office pension grant. The result is that the force has lent the fund the value of the Home Office debtor. This will be reversed in 2012/13 on receipt of the outstanding pension grant - £7,070k (2010/11 - £896k).

42. Cash flow statement – investing activities

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

2010/11 £000		2011/12 £000
4,802	Capital expenditure in the year	4,811
(114)	Capital receipts received in the year	(952)
(2,291)	Capital grants & contributions received in the year	(1,785)
(5,000)	Net movement in short-term investments	-
(2,603)	Total Investing Activities cash flows	2,074

43. Cash flow statement – financing activities

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

2010/11 £000		2011/12 £000
105	Repayment of short/long term borrowing – PWLB	56
439	Repayment of deferred liabilities – Leicestershire County Council debt	439
544	Total Financing Activities cash flows	495

44. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the treasurer on 28th September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

45. Accounting standards issued, not adopted

Title of new standard

- IFRS 7 *Financial Instruments: disclosures* (transfer of financial assets)

Nature of change in accounting policy

- These amendments assist in evaluating the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position

Date of application of new standard

- 1 April 2012

Impact of the introduction of new standard

- It is considered that, as things stand, this amended accounting standard will not have a material impact on the operations of the authority.

46. Contingent liabilities

The Civil Claims earmarked reserve (see Note 31 for further details) includes funds set aside by the Authority in respect of civil claims received by the claims handlers where transfer of economic benefits is deemed to be unlikely. The Authority has, however, considered it prudent to set aside funds in the discretionary reserve to cover an unforeseen change to that assessment.

The reserve contains £384k (2010/11 - £586k) in respect of 31 (2010/11 – 40) specific civil claims. The maximum amount set aside for an individual claim in the earmarked reserve is £50k – equal to the Authority's insurance excess.

47. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 53, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

48. 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 Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the balance sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the core financial statements

item	uncertainty	effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £46k for every year that useful lives had to be reduced.</p>
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. Sensitivities are shown below.</p> <p>However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had increased by £78.6m as a result of estimates being corrected as a result of experience and updating of the assumptions.</p>
Sensitivity of pension liabilities: Local Government Pension Scheme		
<i>Change in assumptions</i>		£000
0.5% decrease in real discount rate		15,854
1 year increase in member life expectancy		3,868
0.5% increase in salary increase rate		6,309
0.5% increase in the pension increase rate		9,270
Sensitivity of pension liabilities: Police Pension Schemes		
<i>Change in assumptions</i>		£000
0.1% increase in real discount rate		(26,359)
1 year increase in member life expectancy		22,480
0.1% increase in salary increase rate		26,991
Cost of spreading unfunded accrued liability over 40 years – per annum		37,287
Police pension schemes	Top-grant grant receivable from Home Office to cover deficit on schemes is 100%	If top-up grant is cut from 100% to 90% -cost to authority of £707k per annum

49. Material items of income and expense

On 22nd June 2010, the Chancellor announced that with effect from 1st April 2011 public service pension schemes would have their pension increases calculated by reference to CPI (Consumer Price Index), rather than RPI (Retail Price Index) which had been used in the past. As increases in CPI are expected to be less than RPI on average, the effect is a reduction in the value of an employer's pension liabilities for accounting purposes. CIPFA released LAAP Bulletin 89 which advises that the effect of this change should be shown as a negative "past service cost" in the employer's accounting figures. Figures for 2010/11 have been calculated accordingly – further details can be seen in note 34

50. Impairment losses

During 2011/12, the Authority has recognised one impairment loss:

- £915K in relation to Wigston police station. The existing building has been substantially reconfigured. On completion of the building works a valuation has been obtained from the Authority's appointed valuer.

51. Termination benefits

The authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £242k (£796k in 2010/11) – see Note 7 for the number of exit packages and total cost per band. The £242k is payable to staff from a number of departments such as transport, L&D and corporate services as part of the ongoing savings strategy.

52. Nature and extent of risks arising from financial instruments

The Authority's activities expose it to a variety of financial risks:

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

Credit risk

Credit risk for the Authority 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 Authority for goods/services provided.

The Authority 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 treasurer to the police authority in consultation with authority members. The banks on the Authority's lending list are carefully selected using credit ratings whilst the Authority sets a prudent maximum investment limit with each bank. All the banks are based in the United Kingdom.

The Authority 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 Authority by virtue of income from customers being equal to only 4.02% of total income (2010/11 – 3.79%). The risk is managed via the Authority's credit control policy. This policy sets out the framework within which financial relationships with the Authority's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The treasurer to the police authority must give authorisation before any write-off of unrecoverable amounts can take place.

To further mitigate the risk of customer credit default, the Authority makes a bad debt impairment each year. The impairment is equal to 0.03% of the total debtors value (2010/11 – 0.11 %). Further information concerning this impairment can be seen in Note 22.

Liquidity risk

The Authority'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 Authority's employees).

If unexpected movements happen, the Authority 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 Authority have to repay a significant proportion of its borrowing in any one financial year. This risk is limited by the fact that the Authority's PWLB debt portfolio has a spread of maturity dates across a number of financial years. For the maturity profile of the Authority's PWLB debt commitment, please see note 26 – Long term borrowing.

All standard creditors are due to paid within one year – further information can be found in Note 25 – Creditors.

Market risk

Interest rate risk

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

Price risk

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

53. Accounting policies used by the authority

A1 General principles

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations, which those Regulations require to be prepared in accordance with proper accounting practice.

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* (the Code) and the *Service Reporting Code of Practice 2011/12* (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 Authority's accounting policies have been applied consistently over the current and comparative periods.

A2 Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that

- economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

A3 Exceptional items

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, except for where the Authority 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 Authority 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 Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

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

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

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

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

A6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

A7 Financial instruments

The Authority's balance sheet contains financial assets & liabilities valued at amortised cost. Examples of these assets or liabilities include debtors, creditors, cash overdrafts and short/long-term borrowings. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

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

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

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

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

A8 Interest

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

A9 Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

A10 Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure – over specified de minimis level – currently £5,000 - on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the general fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

Notes to the core financial statements

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Components

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value

depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the Movement in Reserves Statement.

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

A11 Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

A12 Redemption of debt

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

A13 Capital receipts

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

A14 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Again, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as

Notes to the core financial statements

part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the general fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the general fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The authority has a number of semi-formal arrangements with local authorities and other bodies to grant use of rooms or offices within the landlord's property. These arrangements (often used as community/beat offices for local police officers) are reviewed to assess the substance of the transaction using such criteria as:

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

Where such an arrangement is deemed to constitute a lease, it is disclosed within the *leasing* note in the financial statements (note 12).

A15 Government grants and contributions

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income & Expenditure Statement. Specific revenue grants/contributions are credited to the relevant service line whilst non-ring fenced revenue grants and all capital grants are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the general fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve.

Notes to the core financial statements

Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

A16 Inventories

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

Inventories are valued on the basis of average cost price.

A17 Reserves

The police authority maintains reserves to finance expenditure on projects which will be carried out in future years, and to protect the Authority against unexpected events.

Details of the nature of reserves made by the Authority are set out in the notes to the accounts.

A18 Investments

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

A19 Pensions

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

Further details concerning the impact on the Statement of Accounts from the Authority's accounting policy for pensions can be seen in Note 34 – Retirement benefits.

A20 Employee benefits

Benefits payable during employment

The Authority 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 Authority's personnel systems and costed out at the prevailing rates of pay for the forthcoming year (in effect the rate of pay applicable on 1st April as future pay increases may be subject to change).

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

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

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an

Notes to the core financial statements

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the authority are members of two separate pension schemes:

- Police staff

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

- Police officers

The Police Pension Scheme (PPS) for police officers is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pension fund for the year are less than amounts payable, the police authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the police authority, which then must be repaid to central government. In April 2006 the Home Office introduced changes to the arrangements for police pension financing. The existing police pension scheme (1987 scheme) closed to new members on 5 April 2006. New police recruits from 6 April 2006 will join the new police pension scheme (2006 scheme).

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

Police staff

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

- The liabilities of the Leicestershire County Council pension fund attributable to the authority 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, using a discount rate of 5.1% p.a. The discount rate is the yield on the corporate bond index rated over 15 years.

The assets of Leicestershire County Council pension fund attributable to the authority 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 pension's liability is analysed into seven components:

1. Current service cost – the increase in liabilities as a result of years of service earned during this year allocated in the Comprehensive Income and Expenditure Statement to the services for which

- the employees worked.
2. 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. This statement includes the capitalised gain from the change in pension increase policy from the Retail Price Index (RPI) to Consumer Price Index (CPI) as non-distributed cost.
 3. 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 in the Comprehensive Income and Expenditure Statement.
 4. Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 5. Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 6. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the pensions reserve.
 7. Contributions paid to the Leicestershire County Council 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 authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

Police officers

The authority participates in the following schemes:

- Police officers in service on or before 31 March 2006 are admitted to the 1987 Police Pensions Scheme - 1987 scheme
- Police officers in service on or after 1 April 2006 are admitted to the 2006 Police Pension Scheme – 2006 scheme

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

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

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

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

Discretionary benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event

of early retirements due to medical reasons or injury. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

A21 Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

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

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

A22 Estimation techniques

The following estimation techniques have been used in the accounts:

- Capital creditors – quantity surveyors estimate of the value of the work undertaken
- IAS 19 Valuation – actuarial valuations of future pensions liabilities are provided by independent actuaries.
- Employee benefits – where employee benefits have been accrued for at the balance sheet date, they have been calculated using a sample of data taken from the various systems (whether manual or electronic) in which it is retained. This sample is analysed and extrapolated upwards to calculate the accrual for the population.
- Vehicle fleet residual values and depreciation rates – a comparison between estimated sales proceeds and the residual value of each vehicle (10% of purchase cost) is used to gain assurance that the valuation and depreciation policies remain appropriate.
- Civil claims provision – estimations of the Authority’s potential liability to civil claims is provided by the appointed claims handlers. See the specific accounting policy above.
- Bad debt provision – the Authority assesses the outstanding sales invoices at 31st March and makes specific provision for those invoices where it is considered unlikely payment will be received.

A23 Joint arrangements

The Authority has an interest in four joint arrangements. It is the lead accounting authority for three of these:

- East Midlands Air Support Unit (EMASU)
 - The additional partners are Northamptonshire Police Authority and Warwickshire Police Authority, and
- East Midlands Special Operations Unit (EMSOU).
 - The additional partners are Derbyshire Police Authority, Lincolnshire Police Authority, Northamptonshire Police Authority and Nottinghamshire Police Authority.
- East Midlands Special Operations Unit – major crime (EMSOU MC)
 - The additional partners are Derbyshire Police Authority, Lincolnshire Police Authority, Northamptonshire Police Authority and Nottinghamshire Police Authority

The lead accounting authority for the fourth joint arrangement is Derbyshire Police Authority

- East Midlands Technical Surveillance Unit (EMTSU)
 - The additional partners are as EMSOU

Adjustments have been made to the balance sheet to reflect the share of each joint arrangement's gross assets and liabilities controlled by the police authority as at 31st March 2012. Adjustments have also been made to the Comprehensive Income & Expenditure Statement to reflect the Authority's share of each joint arrangement's transactions during the year.

These adjustments have no effect on the overall amount to be met from government grants and council tax.

Leicestershire contributes 1/3 (one third) and 23.1% respectively to the net revenue budgets of (a) EMASU and (b) EMSOU and EMTSU.

A24 Events after the reporting period

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

A25 Investment property

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

A26 Non-current assets held for sale

Assets held for sale are those assets whose carrying amount is going to be recovered principally through a sale transaction rather than through continued use. Assets that are intended to be abandoned or

Notes to the core financial statements

scrapped at the end of their useful life are not covered by this definition. The Code sets a number of specific criteria, all of which must be met for an asset to be deemed “asset held for sale”:

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

Where an asset meets these four criteria, it is revalued at fair value (existing use) and then transferred to the *assets held for sale* heading on the balance sheet. Assets held for sale are measured at the lower of (a) fair value [existing use] and (b) market value less disposal costs. Where the market value of an asset held for sale is deemed to have fallen below the current carrying value, the loss is charged to the Comprehensive Income & Expenditure Statement (“Other Operating Expenditure” line). However, as this is not a charge permitted by statute against the general fund, a reconciling entry is made in the Movement in Reserves Statement to reverse the transaction to the Capital Adjustment Account.

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

A27 Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the general fund Balance. The gains and losses are therefore reversed out of the general fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

A28 Revenue expenditure funded from capital under statute

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

A29 VAT

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

A30 Accounting for the costs of the carbon reduction commitment scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The

Notes to the core financial statements

authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

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 authority.

The fund receives income each year from:

- Employer's contributions from Leicestershire Police Authority based on a percentage of pay
- Home Office top-up grant
- Contributions from serving police officers
- Other receipts

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

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

2010/11 £000		2011/12 £000
	Contributions receivable:	
	Police authority	
(19,508)	■ employer's contributions	(19,107)
(361)	■ early retirements	(1,367)
(81)	■ reimbursement of unabated pensions of '30+' officers	(14)
(8,704)	■ officers' contributions	(8,516)
(28,654)		(29,004)
(75)	Transfers in from other police authorities	(167)
	Benefits payable:	
28,004	■ pensions	30,202
5,536	■ commutations and lump sum retirement benefits	10,256
679	■ ill-health commutations and lump sum retirement benefits	2,112
115	■ lump sum death benefits	-
34,334		42,570
	Payments to and on account of leavers:	
15	■ refund of contributions	16
173	■ transfers out to other police authorities	842
188		858
5,793	Net amount payable for the year	14,257
(5,793)	Additional contribution from the police authority	(14,257)

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

Net assets statement		
31 March 2011 £000		31 March 2012 £000
896	Current assets	
	Contributions due from the police authority	7,070
-	Current liabilities	
	Unpaid pensions benefits	-
896		7,070

Notes

Note 1

The authority 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. 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 authority acts as intermediary where grant payment/receipt takes place – the grant is therefore shown on the authority's Comprehensive Income & Expenditure Statement but is transferred to the pension fund account by an adjustment in the Statement of Movement in Reserves. The fund does not hold any investment assets and follows the accounting policies of the authority.

Note 2

Details regarding the accounting policies are detailed within note 53, A19 and A20, notes to the core financial statements.

Note 3

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

Details of the authority's long-term pension obligations can be found in the notes to the core financial statements at note 34

Note 4

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department. The next triennial revaluation is due on 31 March 2013.

2010/11 %		2011/12 %
24.2	Employer's contribution level	24.2
11.0	Employees' contribution level	12.25
9.5	■ 1987 scheme	10.5
	■ 2006 scheme	

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

The East Midlands Air Support Unit (EMASU) is responsible for the operation of a police helicopter in Leicestershire, Northamptonshire and Warwickshire. Leicestershire Police Authority acts as the lead authority. During 2011/12, Leicestershire Police Authority contributed £336k (2010/11 - £336k) to EMASU.

Comprehensive Income & Expenditure Statement

- *presented in a subjective analysis format*

2010/11 Outturn £000		2011/12 Outturn £000
332	Employees' expenses	390
41	Premises	45
591	Transport	698
22	Supplies and services	29
59	Agency & contracted services	58
60	Revenue expenditure financed from capital resources	-
482	Depreciation & amortisation	482
1,587	Gross operating expenditure	1,702
(6)	Other income	(68)
-	Profit/loss on disposal of non-current assets	-
1,581	Net operating expenditure	1,634
(1,008)	Contributions from partners	(1,073)
(7)	External grants	-
566	(Surplus) / deficit on provision of services	561
(25)	(Surplus) / deficit on revaluation on non current assets	(13)
(25)	Other comprehensive income and expenditure	(13)
541	Total comprehensive income and expenditure	548

Statement of Movement in Reserves

Note: this Statement is presented in a format relevant to EMASU – in the consolidation with the authority there would be a transfer to reserves showing below equal to the “EMASU Reserve Increase/Decrease” figure

2011/12	EMASU reserve balances	Total usable reserves	Total unusable reserves
<i>Note</i>	£000	£000	£000
Balance as at 1st April 2011	308	308	3,203
Movement in reserves during 2011/12			
Surplus or (deficit) on the provision of services	(561)	(561)	-
Other comprehensive income & expenditure	13	13	-
Total comprehensive income & expenditure	(548)	(548)	-
Adjustments between accounting basis & funding basis under regulations	469	469	(469)
Net increase/(decrease) before transfers to/from earmarked reserves	(79)	(79)	(469)
Transfers (to)/from earmarked reserves (note 4)	-	-	-
Increase/(decrease) in 2011/12	(79)	(79)	(469)
Balance as at 31st March 2012	229	229	2,734

2010/11	EMASU reserve balances	Total usable reserves	Total unusable reserves
<i>Note</i>	£000	£000	£000
Balance as at 1st April 2010	392	392	3,660
Movement in reserves during 2010/11			
Surplus or (deficit) on the provision of services	(566)	(566)	-
Other comprehensive income & expenditure	25	25	-
Total comprehensive income & expenditure	(541)	(541)	-
Adjustments between accounting basis & funding basis under regulations	457	457	(457)
Net increase/(decrease) before transfers to/(from) earmarked reserves	(84)	(84)	(457)
Transfers (to)/from earmarked reserves (note 4)	-	-	-
Increase/(decrease) in 2010/11	(84)	(84)	(457)
Balance as at 31st March 2011	308	308	3,203

Balance Sheet

31 st March 2011 £000		Note	31 st March 2012 £000
	Non-Current Assets		
3,202	Property, Plant & Equipment	1	2,733
3,202	Total Long Term Assets		2,733
	Current Assets		
156	Short Term Debtors	2	121
354	Cash & Cash Equivalents		214
	Current Liabilities		
(140)	Short Term Creditors	3	(105)
(61)	Receipt in Advance		-
309	Net current assets		230
3,511	Net assets / (Liabilities)		2,963
	Reserves		
308	Usable Reserves	4	229
3,203	Unusable Reserves	5	2,734
3,511	Total Reserves		2,963

Notes to the financial statements

1. Non-current assets

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Helicopter, hanger, and equipment valuation is based on the acquisition cost (plus the value of any work carried out on the asset before it goes into service), less the depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

Property, plant and equipment

2011/12	Helicopter £000	Hanger £000	Equipment £000	Vehicles £000	Total £000
Cost or valuation					
At 1 April 2011	4,378	432	283	28	5,121
Additions	-	-	-	-	-
Revaluations / impairments	-	3	-	-	3
Disposals	-	-	-	-	-
At 31 March 2012	4,378	435	283	28	5,124
Accumulated depreciation and impairment					
At 1 April 2011	(1,752)	(10)	(143)	(14)	(1,919)
Depreciation charge	(437)	(10)	(29)	(6)	(482)
Disposals	-	-	-	-	-
Adjustment due to revaluations	-	10	-	-	10
At 31 March 2012	(2,189)	(10)	(172)	(20)	(2,391)
Net book value					
at 31 March 2012	2,189	425	111	8	2,733
at 31 March 2011	2,626	422	140	14	3,202

2010/11	Helicopter £000	Hanger £000	Equipment £000	Vehicles £000	Total £000
Cost or valuation					
At 1 April 2010	4,378	416	283	28	5,105
Additions	-	-	-	-	-
Revaluations / impairments	-	16	-	-	16
Disposals	-	-	-	-	-
At 31 March 2011	4,378	432	283	28	5,121
Accumulated depreciation and impairment					
At 1 April 2010	(1,314)	(9)	(115)	(8)	(1,446)
Depreciation charge	(438)	(10)	(28)	(6)	(482)
Disposals	-	-	-	-	-
Adjustment due to revaluations	-	9	-	-	9
At 31 March 2011	(1,752)	(10)	(143)	(14)	(1,919)
Net book value					
at 31 March 2011	2,626	422	140	14	3,202
at 31 March 2010	3,064	407	168	20	3,659

2. Debtors

31 st March 2011 £000		31 st March 2012 £000
-	Sundry debtors	-
156	Local authorities & police authorities	121
-	Government departments	-
156		121

3. Creditors

31 st March 2011 £000		31 st March 2012 £000
(51)	Sundry creditors	(63)
(83)	Local authorities & police authorities	(26)
(6)	Government departments	(16)
(140)		(105)

4. Transfers to/from usable reserve

This reserve contains resources set aside to meet future unbudgeted expenditure

31 st March 2011 £000		31 st March 2012 £000
392	balance at 1 April	308
(84)	transfers out	(79)
-	transfers in	-
308	balance at 31 March	229

5. Unusable reserves

Capital Adjustment Account

2010/11 £000		2011/12 £000
(482)	Depreciation/amortisation charge in year	(482)
(60)	Revenue Expenditure funded from Capital under Statute (REFCUS)	-
(542)	Net amount written-out of the cost of non-current assets consumed in the year	(482)
60	Capital expenditure charged against the general fund	-
(482)	Total movement during the year	(482)
3,660	Opening balance at 1 st April	3,178
3,178	Closing balance at 31st March	2,696

Revaluation Reserve

2010/11 £000		2011/12 £000
	Movements in unrealised value of non-current assets	
25	Gains on upward revaluation of non-current assets	13
-	Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services	-
-	Transfer to capital adjustment account in respect of non-current asset depreciation (on a revaluation gain)	-
-	Transfer to capital adjustment account in respect of residual gains held at the point of disposal of a non-current asset	-
25	Total movement on reserve in the year	13
-	Opening balance at 1st April	25
25	Closing balance at 31st March	38

The East Midlands Special Operations Unit (EMSOU) was formed on the 1st January 2003 and is responsible for undertaking special operations across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. Leicestershire Police Authority acts as the lead authority. During 2011/12, Leicestershire Police Authority contributed £1,208k (2010/11 - £992k) to EMSOU.

Comprehensive Income & Expenditure Statement

presented in a subjective analysis format

2010/11 Outturn £000		2011/12 Outturn £000
4,095	Employees' expenses	3,869
729	Premises	879
393	Transport	389
1,283	Supplies and services	1,136
42	Agency & contracted services	211
8	Revenue expenditure financed from capital resources	34
535	Depreciation & amortisation	289
7,085	Gross operating expenditure	6,807
(326)	Other income	(45)
(8)	Profit/loss on disposal of non-current assets	33
6,751	Net operating expenditure	6,795
(4,293)	Contributions from partners	(5,074)
(2,077)	External grants	(1,790)
381	(Surplus) / deficit on provision of services	(69)
-	(Surplus) / deficit on revaluation on non current assets	-
-	Other comprehensive income and expenditure	-
381	Total comprehensive income and expenditure	(69)

Statement of Movement in Reserves

Note: this Statement is presented in a format relevant to EMSOU – in the consolidation with the authority there would be a transfer to reserves showing below equal to the “EMSOU reserve increase/decrease” figure

2011/12	EMASU reserve balances	Earmarked reserves	Total usable reserves	Total unusable reserves
<i>Note</i>	£000		£000	£000
Balance as at 1st April 2011	270	686	956	597
Movement in reserves during 2011/12				
Surplus or (deficit) on the provision of services	69	-	69	-
Other comprehensive income & expenditure	-	-	-	-
Total comprehensive income & expenditure	69	-	69	-
Adjustments between accounting basis & funding basis under regulations	49	-	49	(49)
Net increase/(decrease) before transfers to/from earmarked reserves	118	-	118	(49)
Transfers (to)/from earmarked reserves (note 4)	(86)	86	-	-
Increase/(decrease) in 2011/12	32	86	118	(49)
Balance as at 31st March 2012	302	772	1,074	548

2010/11	EMASU reserve balances	Earmarked reserves	Total usable reserves	Total unusable reserves
<i>Note</i>	£000		£000	£000
Balance as at 1st April 2010	303	731	1,034	900
Movement in reserves during 2010/11				
Surplus or (deficit) on the provision of services	(381)	-	(381)	-
Other comprehensive income & expenditure	-	-	-	-
Total comprehensive income & expenditure	(381)	-	(381)	-
Adjustments between accounting basis & funding basis under regulations	303	-	303	(303)
Net increase/(decrease) before transfers to/(from) earmarked reserves	(78)	-	(78)	(303)
Transfers (to)/from earmarked reserves (note 4)	45	(45)	-	-
Increase/(decrease) in 2010/11	(33)	(45)	(78)	(303)
Balance as at 31st March 2011	270	686	956	597

Balance Sheet

31 st March 2011 £000		Note	31 st March 2012 £000
	Non-Current Assets		
32	Intangible assets	1	20
651	Property, Plant & Equipment	1	583
683	Total Long Term Assets		603
	Current Assets		
529	Short Term Debtors	2	1,173
-	Payments in advance		27
1,212	Cash & Cash Equivalents		1,016
	Current Liabilities		
(726)	Short Term Creditors	3	(963)
(59)	Receipt in Advance		(179)
(86)	Provision for accumulated absences		(55)
870	Net current assets		1,019
1,553	Net assets / (Liabilities)		1,622
956	Usable Reserves	4	1,074
597	Unusable Reserves	5	548
1,553	Total Reserves		1,622

Notes to the financial statements

1. Non-current assets

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Vehicle valuation is based on the acquisition cost (plus the value of any work carried out on the asset before it goes into service), less the depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

Property, plant and equipment

2011/12	land and buildings £000	vehicles £000	equipment £000	Total £000
Cost or valuation				
At 1 April 2011	-	1,085	1,531	2,616
Additions	-	168	77	245
Revaluations / impairments	-	-	-	-
Disposals	-	(30)	(72)	(102)
At 31 March 2012	-	1,223	1,536	2,759
Accumulated depreciation and impairment				
At 1 April 2011	-	(714)	(1,251)	(1,965)
Depreciation charge	-	(123)	(154)	(277)
Disposals	-	27	39	66
Adjustment due to revaluations	-	-	-	-
At 31 March 2012	-	(810)	(1,366)	(2,176)
Net book value				
at 31 March 2012	-	413	170	583
at 31 March 2011	-	371	280	651

2010/11	land and buildings £000	vehicles £000	equipment £000	Total £000
Cost or valuation				
At 1 April 2010	-	1,004	1,475	2,479
Additions	-	196	56	252
Revaluations / impairments	-	-	-	-
Disposals	-	(115)	-	(115)
At 31 March 2011	-	1,085	1,531	2,616
Accumulated depreciation and impairment				
At 1 April 2010	-	(592)	(951)	(1,543)
Depreciation charge	-	(220)	(300)	(520)
Disposals	-	98	-	98
Adjustment due to revaluations	-	-	-	-
At 31 March 2011	-	(714)	(1,251)	(1,965)
Net book value				
at 31 March 2011	-	371	280	651
at 31 March 2010	-	412	524	936

Intangible assets

2010/11 £000	software	2011/12 £000
	Cost or valuation	
75	At 1 April	75
-	Additions	-
-	Revaluations / impairments	-
-	Disposals	-
-	Transfers	-
75	At 31 March	75
	Accumulated depreciation and impairment	
(28)	At 1 April	(43)
(15)	Depreciation charge	(12)
-	Disposals	-
-	Adjustment due to revaluations	-
-	Adjustment in respect of transfers	-
(43)	At 31 March	(55)
	Net book value	
	at 31 March 2012	20
32	at 31 March 2011	

2. Debtors

31 st March 2011 £000		31 st March 2012 £000
-	Sundry debtors	
493	Local authorities & police authorities	537
36	Government departments	636
529		1,173

3. Creditors

31 st March 2011 £000		31 st March 2012 £000
(117)	Sundry creditors	(107)
(562)	Local authorities & police authorities	(830)
(47)	Government departments	(26)
(726)		(963)

4. Transfers to/from usable reserves

	Balance at 1 April 2010	transfers out 2010/11	transfers in 2010/11	Balance at 31 March 2011 £000	transfers out 2011/12	transfers in 2011/12	Balance at 31 March 2012 £000
	£000	£000	£000	£000	£000	£000	£000
Reserve name							
General fund	303	(78)	45	270	-	32	302
Titan House reserve	23	-	-	23	(23)	-	-
Titan House contingency	-	-	-	-	-	-	-
Communications	100	-	-	100	-	-	100
OCGM project 3000	-	-	-	-	-	110	110
Future capital purchases	108	(45)	-	63	(1)	-	62
Asset replacement	500	-	-	500	-	-	500
Grand total	1,034	(123)	45	956	(24)	142	1,074

General fund

To meet unbudgeted revenue cost pressures.

Titan House reserve

This represents funds set a side from previous years to finance the capital expenditure relating to Titan House.

Titan House contingency

This reserve is to cover any unforeseen costs associated with the fit-out of the building.

Communications

This provides an element of future funding for the replacement of Airwave equipment and un-insured losses of technical equipment.

OCGM project 3000

Funding provided by the Home Office to support operational activity against high risk organised crime groups.

Asset replacement

This is to fund the cost of replacement vehicles and technical assets

5. Unusable reserves

Capital adjustment account

2010/11 £000		2011/12 £000
(535)	Depreciation/amortisation charge in year	(289)
(8)	Revenue Expenditure funded from Capital under Statute (REFCUS)	(34)
(17)	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	(36)
(560)	Net amount written-out of the cost of non-current assets consumed in the year	(359)
260	Capital expenditure charged against the general fund	239
-	Use of the capital receipts reserve to finance new capital expenditure	-
-	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	40
(300)	Total movement during the year	(80)
983	Opening balance at 1 st April	683
683	Closing balance at 31st March	603

Accumulated absences account

2010/11 £000		2011/12 £000
(83)	Balance at 1st April	(86)
-	Reversal of opening accrual made at the end of the preceding year	86
(3)	Amounts accrued at the end of the current year	(55)
(3)	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	31
(86)	Balance at 31st March	(55)

The East Midlands Special Operations Unit - Major Crime (EMSOU MC) was formed on the 12 September 2011 and is responsible for undertaking major crime investigations across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. Leicestershire Police Authority acts as the lead authority. During 2011/12, Leicestershire Police Authority contributed £166k (2010/11 - £0k) to EMSOU MC.

Comprehensive Income & Expenditure Statement

presented in a subjective analysis format

	2011/12 Outturn £000
Employees' expenses	771
Premises	-
Transport	4
Supplies and services	2
Agency & contracted services	-
Revenue expenditure financed from capital resources	-
Depreciation & amortisation	-
Gross operating expenditure	777
Other income	-
Profit/loss on disposal of non-current assets	-
Net operating expenditure	777
Contributions from partners	(719)
External grants	-
(Surplus) / deficit on provision of services	58
(Surplus) / deficit on revaluation on non current assets	-
Other comprehensive income and expenditure	-
Total comprehensive income and expenditure	58

Statement of Movement in Reserves

Note: this Statement is presented in a format relevant to EMSOUMC – in the consolidation with the authority there would be a transfer to reserves showing below equal to the “EMSOUMC reserve increase/decrease” figure

2011/12	General fund balance	Earmarked reserves	Total usable reserves	Total unusable reserves
<i>Note</i>	£000	£000	£000	£000
Balance as at 1st April 2011	-	-	-	-
Movement in reserves during 2011/12				
Surplus or (deficit) on the provision of services	(58)	-	(58)	-
Other comprehensive income & expenditure	-	-	-	-
Total comprehensive income & expenditure	(58)	-	(58)	-
Adjustments between accounting basis & funding basis under regulations (note 3)	58	-	58	(58)
Net increase/(decrease) before transfers to/from earmarked reserves	-	-	-	(58)
Transfers (to)/from earmarked reserves (note 4)	-	-	-	-
Increase/(decrease) in 2011/12	-	-	-	(58)
Balance as at 31st March 2012	-	-	-	(58)

Balance Sheet

	Note	31 st March 2012 £000
Non-current assets		
Intangible assets		-
Property, plant & equipment		-
Total long term assets		-
Current assets		
Short term debtors	1	719
Cash & cash equivalents		-
Current liabilities		
Cash & cash equivalents		(608)
Short term creditors	2	(111)
Receipt in advance		-
Provision for accumulated absences		(58)
Net current assets		(58)
Net assets / (liabilities)		(58)
Usable reserves		-
Unusable reserves	3	(58)
Total reserves		(58)

Notes to the financial statements

1. Debtors

	31st March 2012 £000
Sundry debtors	-
Local authorities & police authorities	719
Government departments	-
	719

2. Creditors

	31st March 2012 £000
Sundry creditors	-
Local authorities & police authorities	(4)
Government departments	(37)
Salaries and overtime	(70)
	(111)

3. Unusable reserves

Accumulated absences account

	2011/12 £000
Balance at 1st April	-
Reversal of opening accrual made at the end of the preceding year	-
Amounts accrued at the end of the current year	(58)
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	(58)
Balance at 31st March	(58)

The East Midlands Technical Surveillance Unit (EMTSU) was formed on the 1st July 2011 and is responsible for undertaking special operations in support of EMSOU across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. Derbyshire Police Authority acts as the lead authority. During 2011/12, Leicestershire Police Authority contributed £362k (2010/11 - £0k) to EMTSU.

Comprehensive Income & Expenditure Statement

presented in a subjective analysis format

	2011/12 Outturn £000
Employees' expenses	277
Premises	-
Transport	-
Supplies and services	43
Agency & contracted services	-
Revenue expenditure financed from capital resources	-
Depreciation & amortisation	-
Gross operating expenditure	320
Other income	(11)
Profit/loss on disposal of non-current assets	-
Net operating expenditure	309
Contributions from partners	(362)
External grants	-
(Surplus) / deficit on provision of services	(53)
(Surplus) / deficit on revaluation on non current assets	-
Other comprehensive income and expenditure	-
Total comprehensive income and expenditure	(53)

Statement of Movement in Reserves

Note: this Statement is presented in a format relevant to EMTSU – in the consolidation with the authority there would be a transfer to reserves showing below equal to the “EMTSU reserve increase/decrease” figure

2011/12	EMTSU reserve balances	Earmarked reserves	Total usable reserves	Total unusable reserves
<i>Note</i>	£000	£000	£000	£000
Balance as at 1st April 2011				
Movement in reserves during 2011/12				
Surplus or (deficit) on the provision of services	53	-	53	-
Other comprehensive income & expenditure	-	-	-	-
Total comprehensive income & expenditure	53	-	53	-
Adjustments between accounting basis & funding basis under regulations (note 3)	(14)	-	(14)	14
Net increase/(decrease) before transfers to/from earmarked reserves	39	-	39	14
Transfers (to)/from earmarked reserves (note 4)	(39)	39	-	-
Increase/(decrease) in 2011/12	-	39	39	14
Balance as at 31st March 2012	-	39	39	14

Balance Sheet

	Note	31 st March 2012 £000
Non-Current Assets		
Intangible assets	1	-
Property, Plant & Equipment	1	18
Total Long Term Assets		18
Current Assets		
Short Term Debtors	2	-
Cash & Cash Equivalents		48
Current Liabilities		
Short Term Creditors	3	(9)
Receipt in Advance		-
Provision for accumulated absences		(4)
Net current assets		35
Net assets / (Liabilities)		53
Usable Reserves	4	39
Unusable Reserves	5	14
Total Reserves		53

Notes to the financial statements

1. Non-current assets

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Vehicle valuation is based on the acquisition cost (plus the value of any work carried out on the asset before it goes into service), less the depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

Property, plant and equipment

2011/12	land and buildings £000	vehicles £000	equipment £000	Total £000
Cost or valuation				
At 1 April 2011	-	-	-	-
Additions	-	4	14	18
Revaluations / impairments	-	-	-	-
Disposals	-	-	-	-
At 31 March 2012	-	4	14	18
Accumulated depreciation and impairment				
At 1 April 2011	-	-	-	-
Depreciation charge	-	-	-	-
Disposals	-	-	-	-
Adjustment due to revaluations	-	-	-	-
At 31 March 2012	-	-	-	-
Net book value				
at 31 March 2012	-	4	14	18
at 31 March 2011	-	-	-	-

2. Debtors

	31st March 2012 £000
Sundry debtors	-
Local authorities & police authorities	-
Government departments	-
	-

3. Creditors

	31st March 2012 £000
Sundry creditors	(9)
Local authorities & police authorities	-
Government departments	-
Others	-
	(9)

4. Transfers to/from usable reserves

	Balance at 1 April 2010 £000	transfers out 2010/11 £000	transfers in 2010/11 £000	Balance at 31 March 2011 £000	transfers out 2011/12 £000	transfers in 2011/12 £000	Balance at 31 March 2012 £000
Reserve name							
Carry-forward	-	-	-	-	-	22	22
Vehicle replacement	-	-	-	-	-	17	17
Grand total	-	-	-	-	-	39	39

Carry- forward

To meet unbudgeted revenue cost pressures.

Asset replacement

This is to fund the cost of replacement vehicles and technical assets

5. Unusable reserves

Capital adjustment account

	2011/12 £000
Depreciation/amortisation charge in year	-
Amounts transferred from revaluation reserve in respect of depreciation/amortisation	-
Transfer from Comprehensive Income & Expenditure Statement in respect of non-current asset revaluations	-
Revaluation on non-current assets held for sale	-
Revenue Expenditure funded from Capital under Statute (REFCUS)	-
Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	-
Net amount written-out of the cost of non-current assets consumed in the year	-
Capital expenditure charged against the general fund	18
Use of the capital receipts reserve to finance new capital expenditure	-
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	-
Application of grants to capital financing from the capital grants unapplied account	-
Revenue provision (including MRP)	-
Voluntary revenue provision for capital financing	-
Movements in the market value of investment properties charged to the Comprehensive Income & Expenditure Statement	-
Total movement during the year	18
Opening balance at 1 st April	-
Closing balance at 31st March	18

Accumulated absences account

	2011/12 £000
Balance at 1st April	-
Reversal of opening accrual made at the end of the preceding year	-
Amounts accrued at the end of the current year	(4)
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	(4)
Balance at 31st March	(4)

1) Scope of Responsibility

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

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

The authority has approved and adopted a code of corporate governance, which is consistent with the principals of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from the Chief Executive, Leicestershire Police Authority, St Johns, Enderby, Leicester, LE19 2BX or is on our website at www.leics-pa.police.uk. This statement explains how the authority has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of an annual governance statement.

2) The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through with it accounts to, engages with and leads the community. It enables the authority 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 authority'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 governance framework has been in place at the authority for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

3) The Governance Framework

The authority has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically it developed and adopted a Code of Corporate Governance and a risk management strategy and the Director of Resources has been given responsibility for:

- overseeing 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; and
- ensuring that there is an effective internal audit function.

RSM Tenon, our internal auditors, have been given the responsibility to review independently the status of the Authority's internal control arrangements and report to the Audit Committee, to provide assurance on the adequacy and effectiveness of internal control.

The system of internal control is based on a framework of regular management information, financial and contract procedure rules, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the authority and the constabulary and is reviewed by internal and external audit. In particular the system includes:

- performance management framework and performance plans;
- regular performance monitoring;
- comprehensive budgeting systems;
- regular reviews of financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance; and
- clearly defined expenditure guidelines.

4) Role of the Chief Financer Officer

The Authority fully complies with the CIPFA statement on the Role of the Chief Finance Officer in the Public Sector, the key principles and requirements of 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 Authority'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 authority's financial strategy; and
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

5) Review of Effectiveness

The authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority 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.

For 2011/12 this review has been undertaken by the Audit and Risk Committee and included carrying out:

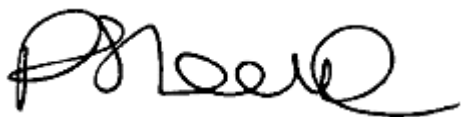
- a review of internal audit;
- an assessment of the authority's internal control framework against the CIPFA best practice checklist; and
- an assessment of the authority's corporate governance framework against the CIPFA / SOLACE framework.

The Audit and Risk Committee has also continued to monitor progress on the Police Authority's Assurance Framework work, with regular reports on member scrutiny of call management, vulnerability and multi-agency working. Work has also commenced on ensuring that issues highlighted by HMIC in their "Without Fear or Favour" report including integrity and internal control are managed within a comprehensive development plan.

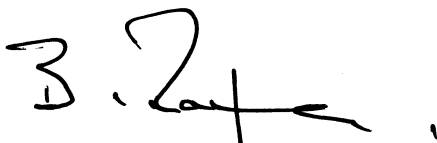
6) Significant Governance Issues – Regional Collaboration and Overall Funding

During 2011/12 the scale and complexity of regional collaboration within the East Midlands is such that it has been agreed to include a separate statement as approved by the East Midlands Police Authority Joint Committee. This signed statement follows this report.

In addition given the current economic climate and the national financial pressures it is anticipated that there will be future funding constraints. This has led to the need for the authority to put in place a programme to deliver significant savings over the next two years. Changes to the funding of local authorities in the future, and changes to the benefits system are likely to have material financial implications. Being a small authority in terms of staff numbers also adds to the challenge of responding to material reductions in funding, whilst maintaining acceptable levels of resilience in services. However the authority is well placed to deal with these issues and has in place a financial plan to bring expenditure into line with reduced levels of resources.



Paul Stock (Chief Executive)
1 July 2012



Barrie Roper (Chair of Authority)
25 September 2012

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 Authority Joint Committee (EMPAJC) on a quarterly basis.

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

Compliance is monitored by management review, supported by specialist professional advice where appropriate. Where areas for improvement are identified these are subject to action plans that are revisited to ensure that they have been attended to. Reviews of business processes have not identified significant and systemic control failures within the department. Where issues have been identified these are being addressed through defined management action plans.

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 EMPAJC 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 EMPAJC quarterly. The monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date.

4. Incorporating good governance arrangements in respect of partnerships.

EMPAJC 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 EMPAJC meetings. The collaboration builds on best practice from across the region to improve performance as well as saving money.

Signed



Deirdre Newham

Chair of the East Midlands Police Authority Joint Committee (EMPAJC)



Peter Goodman

Deputy Chief Constable (East Midlands)

Independent auditors' report to the Members of Leicestershire Police Authority

We have audited the statement of accounts of Leicestershire Police Authority for the year ended 31 March 2012 which comprises the Comprehensive Income and Expenditure Statement, the Balance Sheet as at the end of the period, the Statement of Movement in Reserves, the Cash Flow Statement, the Police Pension Fund accounting statements, (comprising the Fund Account, the Net Assets Statement and related notes), the accounting policies and the related notes. The financial reporting framework that has been applied in its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 supported by the CIPFA Service Reporting Code of Practice 2011/12.

Respective responsibilities of the Treasurer and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer is responsible for the preparation of the Statement of Accounts, including the Police Pension Fund accounting statements, and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the Statement of Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Statement of Accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authority; and
- the overall presentation of the Statement of Accounts.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited Statement of Accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on statement of accounts

In our opinion the statement of accounts:

- gives a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice 2011/12, of the state of the Authority's affairs as at 31 March 2012 and of the Authority's income and expenditure and cash flows for the year then ended;
- gives a true and fair view of the financial transactions of the Police Pension Fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12.

Opinion on other matters

In our opinion, the information given in the Explanatory Foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the Annual Governance Statement on which the Code of Audit Practice issued by the Audit Commission requires us to report to you if, in our opinion, the Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us from being satisfied that the Authority has put in place such arrangements.

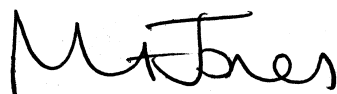
We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, we have considered the results of the following:

- our review of the Annual Governance Statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work on the Medium Term Financial Plan and the Authority's plans and readiness for transition to the Police and Crime Commissioner.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the accounts of Leicestershire Police Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Mark Jones
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Birmingham

28 September 2012

Notes:

- a) The maintenance and integrity of the Leicestershire Police Authority website is the responsibility of the Authority; 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 statement of accounts since it was initially presented on the website.

- b) 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 authority's plans in financial terms. A budget is prepared and approved by the police authority 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 authority's underlying need to borrow for a capital purpose.

Capital grant

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

Capital receipts

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

CIPFA

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

Commutated lump sums

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

Contingent liabilities

A contingent liability is either:

- (a) 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 authority's control, or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and democratic core

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

Creditors

Amounts owed by the police authority 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 authority for work done or services supplied but not received at the end of the financial year.

Deferred liabilities

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

Defined benefit scheme

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

Depreciation

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

Financial regulations

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

Financial year

The period of time commencing on the 1st April covered by the accounts.

Formula spending share

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

Impairment

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

Investment property

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

Leasing

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

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

Liquid resources

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

Minimum revenue provision

The minimum amount that the authority is statutorily required to set aside from revenue each year as a provision to meet credit liabilities. For the authority 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.

Non-current assets

Tangible and intangible assets that yield benefits to the authority 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 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 police authority 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 Authority 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).