

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

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

2016/17

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Narrative Report by the Chief Finance Officer

These accounts set out the overall financial position of Leicestershire Police for the year ended 31 March 2017.

The Police Reform and Social Responsibility Act 2011 introduced Police and Crime Commissioners (PCCs) and created two corporation soles, the Police and Crime Commissioner (PCC) for Leicestershire and the Chief Constable (CC).

The PCC is responsible for securing an efficient and effective police force whilst the Chief Constable is responsible for delivering operational policing under the Police Act 1996 and has operational direction and control over the force's officers and staff.

This structural change created a 'Group' in accounting terms, referred to as the "Office of the Police and Crime Commissioner for Leicestershire Group" (OPCC Group or simply, 'the Group') and the two bodies within that group as "Office of the Police & Crime Commissioner for Leicestershire" (OPCC) and "Office of the Chief Constable for Leicestershire" (OCC) respectively.

The accounts for 2016/17 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority. This Code of Practice has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

Overview

The financial year 2016/17 was the final budget and precept set in February 2016 by the then Police and Crime Commissioner for Leicestershire, Sir Clive Loader. This remained in place until Lord Willy Bach (who was elected in May 2016) developed his Police and Crime Plan to support his term in office and with this in mind set his budget and precept for 2017/18 in February 2017.

In developing his Plan, Lord Bach undertook extensive consultation in Leicester, Leicestershire and Rutland on priorities to inform both the Plan and in setting the level of precept for 2017/18 and future years. The consultation results reflected overwhelming public support of 83.3% for Lord Bach to increase precept each year for 4 years to deliver the priorities outlined in his Plan.

Lord Bach listened closely to the feedback and prioritised the areas identified within his Plan. The underlying theme of which is "Prevention" and is based on five key themes:

- Viable Partnerships;
- Visible Policing;
- Victim Services;
- Vulnerability Protection; and
- Value for Money.

To support the delivery of his Plan, Lord Bach set a budget and precept for 2017/18 which included supporting investment in frontline operational visibility by adding 8 Police Officers across the Neighbourhood Policing Areas (NPAs).

Furthermore, Lord Bach continued his support for agile IT equipment to enable uniformed staff to complete a greater number of tasks and activities based in the community without having to return to stations.

As part of an integrated response to demand, Lord Bach outlined his commitment to working with local partners to develop thinking towards a multi-agency call handling and resolution facility. This facility will be built around the 101 service, enabling the public to seek help and support across a wider range of public service functions. To facilitate this innovative approach, he ring-fenced the sum of £0.5m from within the Budget Equalisation Reserve during the budget and precept discussions to help shape and support this work as it develops.

Lord Bach supported the delivery of the 2016/17 Commissioning Framework until its conclusion. Included within Lord Bach's Framework were simplified and longer term funding arrangements with Local Authority partners, seeking to provide stability and enable longer term planning and decision making throughout the term of the Plan. Additionally, Lord Bach set out his intentions for a Grants Process for smaller, voluntary organisations to support delivery of his priorities.

Narrative Report by the Chief Finance Officer

Whilst a decision was made not to progress with a Strategic Alliance during the year, Lord Bach continued to work closely with PCCs in Northamptonshire and Nottinghamshire to progress collaboration opportunities on Human Resources, Information Technology and Finance.

The PCC is required to issue a separate Annual Report which details the activities undertaken during the year, together with an update on priorities and statutory requirements. It is anticipated that this report will be considered by the Police and Crime Panel at their meeting in July 2017 and published in due course.

During the year, tight financial management enabled the PCC and the Force to review forecast budget outturns regularly and, where appropriate, enabled the reinvestment of underspends in the year to meet costs such as the replacement and purchase of additional Body Worn Video equipment and additional funding to support the prevention and detection of hate crime.

In 2016/17, the Office of the Police and Crime Commissioner for Leicestershire's budget was managed and monitored tightly in conjunction with the Force and this reflects the very tight financial environment and reducing funding year-on-year. As a result of this, the final outturn for the year was an underspend of £0.003m, which equated to a variance of 0.002%.

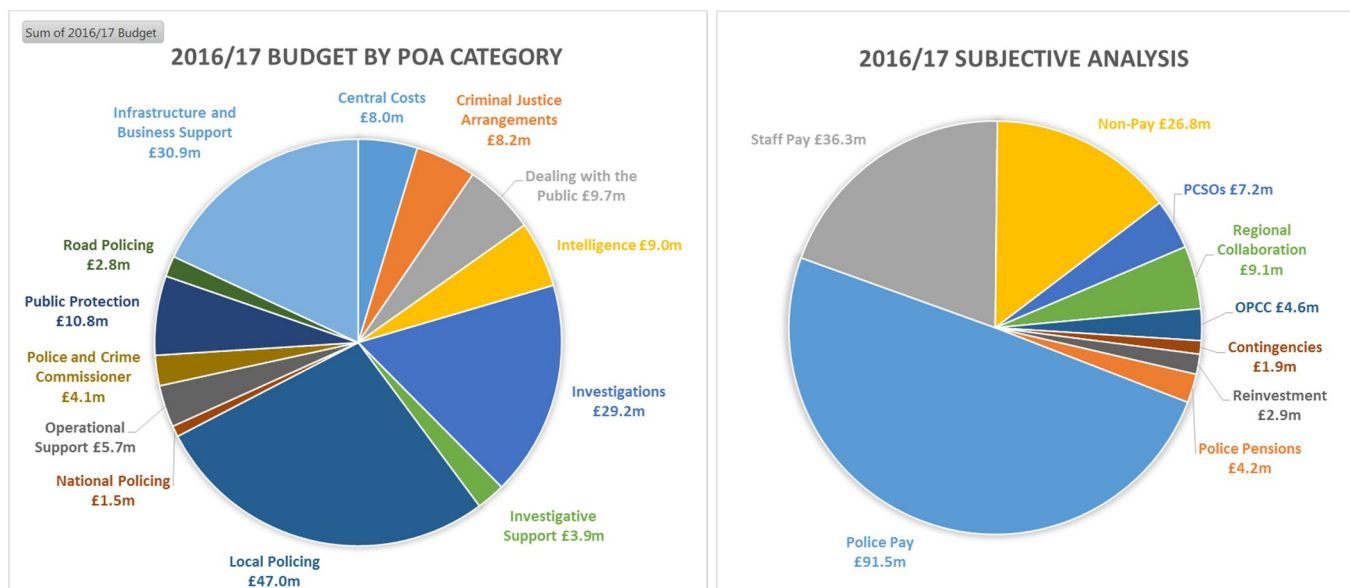
The 2016/17 outturn evidenced the robust budget management in place during the year and use of reserves was restricted to essential investment to ensure that the budget equalisation and other earmarked reserves remained in a healthy state. This is particularly important as the predictions of a medium term funding gap mean that it will be essential to have an adequate reserve to enable transformational change. The budget equalisation reserve will be used to manage the lead-time of the sustainable and transformational change that Blueprint 2025 and any future collaborations will provide.

In conclusion, the financial arrangements of the Office of the Police and Crime Commissioner and the Office of the Chief Constable are in a sound position, although it is recognised that future funding challenges remain. There is a continued track record of managing expenditure within the resources available, a clear focus on a change programme to manage future austerity and an adequate level of reserves that will support the organisation through the change process. Discussions continue to ensure that there is an appropriate balance between the change programme and its implications, and the resources available in order to deliver the priorities of the Police & Crime Plan as identified to the Commissioner by the public and partners within Leicester, Leicestershire and Rutland.

Performance and Financial Position

A net annual revenue budget for 2016/17 of £170.8m was set for the service as a whole, an increase of 1.3% over 2015/16. £164.3m was managed by the CC with the remaining £4.6m (net of a grant of £1.1m for supporting victims of crime) relating to the costs of the OPCC (£1.1m) and commissioning activities (£3.5m). The majority of the funding is provided by Government, with just 33% met via the Council Tax.

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



Performance against budget

As described above, the OPCC (Group) underspent its 2016/17 budget by £0.003m or 0.002%, after the transfer of funds to earmarked reserves, including £2.1m to meet future commitments in 2017/18. This was attributable to:

The Office of the Chief Constable for Leicestershire - £0.003m underspend

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

The Office of the Police and Crime Commissioner for Leicestershire – balanced budget

- Net underspend on staffing of £0.041m due to a number of vacancies held pending a restructure of the Office, offset by the cost of a Deputy Police and Crime Commissioner and Policy Advisor.
- Additional other costs of net £0.039m which included relocation costs of the OPCC, a Public Consultation Survey and Police and Crime Plan launch and publication costs.
- Additional one-off staffing costs incurred of £0.098m, of which £0.096m was met from the PCC Transition Reserve.

Reserves

The Police Fund (General Reserve) has been maintained at £6.0m. The closing balance on the Budget Equalisation Reserve is £10.1m and the total earmarked reserves are £23.8m (including both a share of regional jointly controlled reserves as well as reserves held on behalf of partners).

Retirement Benefits

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

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

Narrative Report by the Chief Finance Officer

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

Capital spending

£5.2m was spent on improving the estate, investing in information technology and the vehicle fleet. This was funded by a combination of internal borrowing, grant, asset sales, 3rd party income and revenue contributions. This capital spending resulted in non-current asset additions of £5.2m. No significant expenditure was charged to the Comprehensive Income & Expenditure Statement as "Revenue Expenditure Financed from Capital resources Under Statute" (REFCUS – see Note 14). No external borrowing was taken out during 2016/17. Outstanding external debt at the year-end was £12.4m (excluding accruals for interest payable).

The capital projects undertaken include the major refurbishment at Beaumont leys police station, remodelling of existing office/work space to support the Force's 'agile working' programme, enhancements to existing IT systems, alongside a significant investment in mobile technology to support new ways of working and a range of infrastructure developments to support both local and regional collaborative working.

During 2016/17 Welford Road Police Station and a strip of land at Melton Mowbray (held as an investment property) were disposed of as part of the Force's overall estates strategy. The Welford Road Police Station was replaced with a neighbourhood office. Coalville Police Station was held for sale at the 31st March 2017 and this disposal should be concluded during 2017/18, following the colocation of the Police with the Fire Service.

Outlook for 2017/18 and Beyond

As has been the case for several years, the funding regime for the public sector continues to be challenging, with reductions in recent times of 20% Police Officers and Police Staff and funding reductions of up to one third.

Whilst the police service was protected from significant budget reductions in the Comprehensive Spending Review (CSR) 2015 and the 2016/17 grant settlement was better than anticipated, these challenges increased again for 2017/18 and are anticipated for future years.

Against this background, the PCC set the 2017/18 net revenue and capital budgets of £171.639m (before the use of reserves) and £11.726m respectively. A precept of £187.2302 for a Band D property was set for the year, an increase of 1.99% over 2016/17.

Although indications were provided of the total Police Settlement for the CSR period, details of individual PCC revenue allocations have only been made available for 2017/18. The availability of only one year's figures does make medium term financial planning more uncertain.

Whilst Lord Bach prioritised an investment of 8 additional Neighbourhood Officers for 2017/18 and future years, he agreed to offset savings, and set an efficiency savings target for 2017/18 with the Force of £0.452m. Lord Bach has recognised that there are further financial challenges facing the Police over the next five years and that in 2021/22 at the time of setting the budget and precept in February 2017, a financial shortfall of over £10.3m was forecast.

Lord Bach will support the Chief Constable in meeting this challenge to develop a Change Programme which includes a savings plan and that limits the impact of these savings on visible policing. The PCC has already committed to fund the resourcing of the Force Change Programme in 2017/18.

Explanation of the financial report

The Financial Statements set out the income and expenditure and the financial position of the 'Group' and the PCC for Leicestershire for the year ending 31st March 2017.

The accounts for 2016/17 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority.

The way in which the Group operates both in consolidation and as individual bodies is described and controlled by the locally agreed Corporate Governance Framework (this includes both the Financial Regulations and Scheme of Delegation). The Framework sets out the overriding principle of the PCC having ownership of the assets and liabilities whilst being the contracting body that is legally responsible for all income and expenditure.

Narrative Report by the Chief Finance Officer

However in referring directly to both the Chief Constable's operational independence and "direction and control" of the Force it recognises that the Chief will have to consume resources in order to deliver the aims of the Policing Plan.

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

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

- The 'Cost of Policing' is charged to the OCC together with a credit for the corresponding income that was received by the PCC.
- All usable reserves remain on the OPCC's balance sheet.
- All bank/investment balances together with outstanding debt remain on the OPCC's balance sheet.
- All transactions related to the Police Officer and Police Staff pension schemes (i.e. IAS 19) are transferred to the Chief Constable when disaggregating the Group accounts.
- The receipt (and closing debtor) of the Pension Fund top-up grant payable by the Home Office in support of the Police Officer pension scheme(s) is accounted for in the OPCC's account and transferred to the CC via the inter-group transfer.
- The actual share (in effect the majority) of the accrual for employee benefits at the balance sheet date (including annual leave, rest day and time-off in lieu) has been transferred to the Chief Constable in recognition of its inherent link to the employment of staff and the responsibility to bear costs.
- All debtor and creditor accounts (i.e. PAYE or net pay accounts) that are directly attributable to the employment of either police officers or staff have been transferred in full to the Chief Constable's balance sheet.

On each single entity balance sheet an entry has been made to reflect an intra-group account that balances working capital for the Chief Constable. This is in recognition of the fact that the Chief does not hold cash resources of his own and that any liabilities are paid by the PCC together with any cash receipts related to debtors.

The core financial statements (two provided, one for the Group and one for the OPCC):

The presentation of the 2016/17 Financial Statements has been amended to reflect the new reporting formats introduced by the 'Code'. An 'Expenditure and Funding Analysis' is now included in the notes.

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

The Expenditure and Funding Analysis aims to demonstrate to council tax payers how the funding available to the Group (i.e. government grants, council tax) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows the movement on the cash backed reserves that are available to the Group.

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

Movement in Reserves Statement

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

Narrative Report by the Chief Finance Officer

The 'Net increase/(decrease) before transfers (to)/from earmarked reserves' line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the OPCC/Group.

Comprehensive Income and Expenditure Statement

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

The core difference between the OPCC version and the consolidated Group position is that the OPCC Comprehensive Income & Expenditure Statement demonstrates the intra-group transfer to the OCC of the costs of providing policing services whilst retaining recognition of all income. The Group Comprehensive Income & Expenditure Statement is the consolidation position of both the OPCC and the OCC, it therefore shows the net costs of providing policing services.

Balance Sheet

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

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

Cash Flow Statement

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

Notes to the core financial statements

The notes provide support to the financial statements, inform the reader and give sufficient information to present a good understanding of the OPCC/Group's activities.

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

The supplementary financial statements:

Pension Fund Account

The police pension schemes are unfunded and hold no assets. The purpose of this account is to demonstrate the cash-based transactions taking place over the year and to identify the arrangements needed to balance the account. The Chief Constable for Leicestershire (OCC) administers the Pension Fund Account on behalf of the group with resources provided by the OPCC/Group.

Narrative Report by the Chief Finance Officer

Non-audited supplementary documents

Narrative Report

The purpose of the Narrative Report is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the OPCC/Group's financial position.

Statement of responsibilities

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

Annual governance statement

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



Helen King
Chief Finance Officer
14th September 2017

The OPCC's responsibilities

The OPCC is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this OPCC, that officer is the Chief Finance Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts

OPCC's approval

The Statement of Accounts for the year to 31st March 2017 has been prepared and was approved at the Joint Audit Risk Assurance Panel (JARAP) on 14 September 2017.

The Chief Finance Officer's responsibilities

The Chief Finance Officer (CFO) is responsible for the preparation of the OPCC's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the CFO, has:

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

The Chief Finance Officer has also:

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

Chief Finance Officer's certification

I certify that the unaudited Statement of Accounts presents a true and fair view of the financial position of the OPCC/Group at the reporting date and of its income and expenditure for the year ended 31st March 2017.



Helen King
Chief Finance Officer
14th September 2017

Comprehensive Income & Expenditure Statement (Group)

This statement shows the accounting cost in the year of providing police services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Group raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves and Expenditure Funding Analysis. This statement represents the consolidated position of both the OPCC and OCC.

2015/16				2016/17		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£000	£000	£000	Note	£000	£000	£000
194,922	(15,624)	179,298		191,968	(18,238)	173,730
1,110	-	1,110	2	1,279	(67)	1,212
4,432	(1,084)	3,348	2	5,034	(1,257)	3,777
(635)	-	(635)	27	132	-	132
199,829	(16,708)	183,121		198,413	(19,562)	178,851
19	(217)	(198)	3	-	(145)	(145)
59,205	(128)	59,077	4	61,248	(86)	61,162
-	(170,410)	(170,410)	5	-	(172,831)	(172,831)
-	(29,340)	(29,340)	27	-	(24,404)	(24,404)
259,053	(216,803)	42,250		259,661	(217,028)	42,633
		417	29			(635)
		(142,233)	26			426,495
		(141,816)				425,860
		(99,566)				468,493

Comprehensive Income & Expenditure Statement (OPCC)

This statement shows the accounting cost in the year of providing police services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The OPCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves. This statement differs from the Group statement in that it shows the intra-group transfer between the OPCC and the OCC. This transfer represents a recharge of the costs of providing policing services to the OCC who has consumed the resources.

2015/16				Note	2016/17		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
1,035	-	1,035	Corporate & Democratic Core		1,197	(67)	1,130
4,432	(1,085)	3,347	Commissioning		5,034	(1,257)	3,777
-	(7)	(7)	Non-Distributed Costs	27	-	-	-
5,467	(1,092)	4,375	Cost of services		6,231	(1,324)	4,907
194,724	-	194,724	Intra-group Transfer		189,242	-	189,242
19	(217)	(198)	Other operating expenditure	3	-	(145)	(145)
783	(129)	654	Financing and investment income & expenditure	4	730	(86)	644
-	(170,410)	(170,410)	Taxation & non-specific grant income	5	-	(172,831)	(172,831)
-	(29,340)	(29,340)	Grant received from the Home Office in respect of the pension fund account	27	-	(24,404)	(24,404)
200,993	(201,188)	(195)	(Surplus) or deficit on provision of services		196,203	(198,790)	(2,587)
		417	(Surplus) / deficit on revaluation of non-current assets	29			(635)
		(475)	Actuarial (gains) / losses on pension assets/liabilities	26			(322)
		(58)	Other comprehensive income & expenditure				(957)
		(253)	Total comprehensive income & expenditure				(3,544)

Balance Sheet (Group)

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

31 st March 2016 £000		Note	31 st March 2017 £000
1,725	Intangible assets	12	1,644
61,226	Property, Plant & Equipment	13	61,872
-	Assets held for sale	15	789
506	Investment property		221
726	Long term debtors	16	420
64,183	Total long term assets		64,946
264	Inventories		219
20,270	Short term debtors	16	17,445
378	Assets held for sale	15	-
10	Short term investments		10
12,732	Cash & cash equivalents	17	20,549
33,654	Current assets		38,223
(14,379)	Short term creditors	19	(17,402)
(132)	Short term borrowing		(131)
(403)	Provisions	22	(603)
(14,914)	Current liabilities		(18,136)
18,740	Net current assets		20,087
(12,399)	Long term borrowing	20	(12,399)
(1,356)	Deferred liabilities	18	(917)
(744)	Grants Receipts in Advance - Capital	11	(438)
(94)	Long-Term Creditors		(21)
(1,749,585)	Liability related to defined benefit pension schemes	27	(2,221,006)
(1,764,178)	Long term liabilities		(2,234,781)
(1,681,255)	Net assets / (liabilities)		(2,149,748)
(28,282)	Usable reserves	23	(30,396)
1,709,537	Unusable reserves	24	2,180,144
1,681,255	Total reserves		2,149,748

Re-certification

The financial statements on pages 1 to 90 were issued on 21st June 2017 and the audited accounts were authorised for issue on 14th September 2017.

Balance Sheet (OPCC)

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

31 st March 2016 £000		Note	31 st March 2017 £000
1,725	Intangible assets	12	1,644
61,226	Property, Plant & Equipment	13	61,872
-	Assets held for sale	15	789
506	Investment property		221
669	Long term debtors	16	371
64,126	Total long term assets		64,897
264	Inventories		219
19,939	Short term debtors	16	17,121
378	Assets held for sale	15	-
10	Short term investments		10
12,732	Cash & cash equivalents	17	20,549
33,323	Current assets		37,899
(7,146)	Short term creditors	19/32	(10,433)
(132)	Short term borrowing		(131)
(403)	Provisions	22	(603)
(3,402)	Inter – Group Creditor		(2,859)
			-
(11,083)	Current liabilities		(14,026)
22,240	Net current assets		23,873
(12,399)	Long term borrowing	20	(12,399)
(1,356)	Deferred liabilities	18	(917)
(744)	Grants Receipts in Advance - Capital	11	(438)
(94)	Long-Term Creditors		(21)
(322)	Liability related to defined benefit pension schemes	26	-
(14,915)	Long term liabilities		(13,775)
71,451	Net assets / (liabilities)		74,995
(28,282)	Usable reserves	23	(30,396)
(43,169)	Unusable reserves	24	(44,599)
(71,451)	Total reserves		(74,995)

Re-certification

The financial statements on pages 1 to 90 were issued on 21st June 2017 and the audited accounts were authorised for issue on 14th September 2017.

Statement of Movement in Reserves (Group)

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

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

2016 / 17	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
<i>Note</i>	23	23		23	23	24	24
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	(6,000)	(22,282)	-	-	(28,282)	1,709,537	1,681,255
Movement in reserves during 2016/17							
Surplus or deficit on the provision of services	42,633	-	-	-	42,633	-	42,633
Other Comprehensive Income and Expenditure	-	-	-	-	-	425,860	425,860
Total Comprehensive Income and Expenditure	42,633	-	-	-	42,633	425,860	468,493
Adjustments between accounting basis and funding basis under regulations	(44,113)	-	-	(634)	(44,747)	44,747	-
Net Increase or Decrease before Transfers to Earmarked Reserves	(1,480)	-	-	(634)	(2,114)	470,607	468,493
Transfers to/from Earmarked Reserves	1,480	(1,480)	-	-	-	-	-
Increase or Decrease in 2016/17	-	(1,480)	-	(634)	(2,114)	470,607	468,493
Balance at 31 March 2017	(6,000)	(23,762)	-	(634)	(30,396)	2,180,144	2,149,748

Core financial statements

2015/16	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
<i>Note</i>	23 £000	23 £000	£000	23 £000	23 £000	24 £000	24 £000
Balance as at 31st March 2015	(6,000)	(22,729)	-	(211)	(28,940)	1,809,761	1,780,821
Movement in reserves during 2015/16							
(Surplus) or deficit on the provision of services	42,250	-	-	-	42,250	-	42,250
Other comprehensive income & expenditure	-	-	-	-	-	(141,816)	(141,816)
Total comprehensive income & expenditure	42,250	-	-	-	42,250	(141,816)	(99,566)
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	(41,803)	-	-	211	(41,592)	41,592	-
Net (increase)/decrease before transfers to/(from) earmarked reserves	447	-	-	211	658	(100,224)	(99,566)
Transfers to/(from) earmarked reserves (note 27)	(447)	447	-	-	-	-	-
(Increase)/decrease in 2015/16	-	447	-	211	658	(100,224)	(99,566)
Balance as at 31st March 2016	(6,000)	(22,282)	-	-	(28,282)	1,709,537	1,681,255

Statement of Movement in Reserves (OPCC)

2016 / 17	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
<i>Note</i>	23 £000	23 £000	£000	23 £000	23 £000	24 £000	24 £000
Balance at 31 March 2016	(6,000)	(22,282)	-	-	(28,282)	(43,169)	(71,451)
Movement in reserves during 2016/17							
Surplus or deficit on the provision of services	(2,587)	-	-	-	(2,587)	-	(2,587)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(957)	(957)
Total Comprehensive Income and Expenditure	(2,587)	-	-	-	(2,587)	(957)	(3,544)
Adjustments between accounting basis and funding basis under regulations	1,107	-	-	(634)	473	(473)	-
Net Increase or Decrease before Transfers to Earmarked Reserves	(1,480)	-	-	(634)	(2,114)	(1,430)	(3,544)
Transfers to/from Earmarked Reserves	1,480	(1,480)	-	-	-	-	-
Increase or Decrease in 2016/17	-	(1,480)	-	(634)	(2,114)	(1,430)	(3,544)
Balance at 31 March 2017	(6,000)	(23,762)	-	(634)	(30,396)	(44,599)	(74,995)

Core financial statements

2015/16	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
<i>Note</i>	23 £000	23 £000	£000	23 £000	23 £000	24 £000	24 £000
Balance as at 31st March 2015	(6,000)	(22,729)	-	(211)	(28,940)	(42,258)	(71,198)
Movement in reserves during 2015/16							
(Surplus) or deficit on the provision of services	(195)	-	-	-	(195)	-	(195)
Other comprehensive income & expenditure		-	-	-	-	(58)	(58)
Total comprehensive income & expenditure	(195)	-	-	-	(195)	(58)	(253)
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	642	-	-	211	853	(853)	-
Net (increase)/decrease before transfers to/(from) earmarked reserves	447	-	-	211	658	(911)	(253)
Transfers to/(from) earmarked reserves (note 27)	(447)	447	-	-	-	-	-
(Increase)/decrease in 2015/16	-	447	-	211	658	(911)	(253)
Balance as at 31st March 2016	(6,000)	(22,282)	-	-	(28,282)	(43,169)	(71,451)

Cash Flow Statement (Group)

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

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

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

2015/16 £000		Note	2016/17 £000
42,250	Net (surplus) or deficit on the provision of services		42,633
(46,585)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33.2	(55,663)
2,666	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33.3	3,165
(1,669)	Net cash flows from operating activities		(9,865)
3,905	Investing activities	34	1,542
439	Financing activities	35	506
2,675	Net (increase) or decrease in cash and cash equivalents		(7,817)
15,407	Cash and cash equivalents at the beginning of the reporting period		12,732
12,732	Cash and cash equivalents at the end of the reporting period	17	20,549

Cash Flow Statement (OPCC)

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

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

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

2015/16 £000		Note	2016/17 £000
(195)	Net (surplus) or deficit on the provision of services		(2,587)
(4,140)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33.2	(10,443)
2,666	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33.3	3,165
(1,669)	Net cash flows from operating activities		(9,865)
3,905	Investing activities	34	1,542
439	Financing activities	35	506
2,675	Net (increase) or decrease in cash and cash equivalents		(7,817)
15,407	Cash and cash equivalents at the beginning of the reporting period		12,732
12,732	Cash and cash equivalents at the end of the reporting period	17	20,549

1. Adjustments between accounting basis and funding basis under regulations (Group & OPCC)

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

GROUP 2016/17	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(44,926)			44,926
Council tax and NDR (transfers to or from the Collection Fund)	(317)			317
Holiday pay (transferred to the Accumulated Absences reserve)	(303)			303
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,786)		(1,741)	4,527
Total Adjustments to Revenue Resources	(48,332)	-	(1,741)	50,073
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	857	(857)		-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,568			(1,568)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,794			(1,794)
Total Adjustments between Revenue and Capital Resources	4,219	(857)	-	(3,362)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		857		(857)
Application of capital grants to finance capital expenditure			1,107	(1,107)
Total Adjustments to Capital Resources	-	857	1,107	(1,964)
Total Adjustments	(44,113)	-	(634)	44,747

Notes to the core financial statements

GROUP 2015/16	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(42,289)			42,289
Council tax and NDR (transfers to or from the Collection Fund)	233			(233)
Holiday pay (transferred to the Accumulated Absences reserve)	(215)			215
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(4,740)		(1,413)	6,153
Total Adjustments to Revenue Resources	(47,011)	-	(1,413)	48,424
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,048	(1,048)		-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,533			(1,533)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,627			(2,627)
Total Adjustments between Revenue and Capital Resources	5,208	(1,048)	-	(4,160)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		1,048		(1,048)
Application of capital grants to finance capital expenditure			1,624	(1,624)
Total Adjustments to Capital Resources	-	1,048	1,624	(2,672)
Total Adjustments	(41,803)	-	211	41,592

OPCC 2016/17	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	-			-
Council tax and NDR (transfers to or from the Collection Fund)	(317)			317
Holiday pay (transferred to the Accumulated Absences reserve)	(9)			9
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,786)		(1,741)	4,527
Total Adjustments to Revenue Resources	(3,112)	-	(1,741)	4,853
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	857	(857)		-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,568			(1,568)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,794			(1,794)
Total Adjustments between Revenue and Capital Resources	4,219	(857)	-	(3,362)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		857		(857)
Application of capital grants to finance capital expenditure			1,107	(1,107)
Total Adjustments to Capital Resources	-	857	1,107	(1,964)
Total Adjustments	1,107	-	(634)	(473)

Notes to the core financial statements

OPCC 2015/16	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplie d	Movemen t in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(67)			67
Council tax and NDR (transfers to or from the Collection Fund)	233			(233)
Holiday pay (transferred to the Accumulated Absences reserve)	8			(8)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(4,740)		(1,413)	6,153
Total Adjustments to Revenue Resources	(4,566)	-	(1,413)	5,979
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,048	(1,048)		-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,533			(1,533)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,627			(2,627)
Total Adjustments between Revenue and Capital Resources	5,208	(1,048)	-	(4,160)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		1,048		(1,048)
Application of capital grants to finance capital expenditure			1,624	(1,624)
Total Adjustments to Capital Resources	-	1,048	1,624	(2,672)
Total Adjustments	642	-	211	(853)

2. Expenditure and Funding Analysis

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

2015/16			2016/17			
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	GROUP	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	<i>Note</i>	£000	£000	£000
163,921	15,377	179,298	Policing Services	163,742	9,988	173,730
1,118	(8)	1,110	Corporate & Democratic Core	1,203	9	1,212
3,348	-	3,348	Commissioning	3,777	-	3,777
-	(635)	(635)	Non-Distributed Costs	-	132	132
168,387	14,734	183,121	Net Cost of Services	168,722	10,129	178,851
(167,940)	27,069	(140,871)	Other Income and Expenditure	(170,202)	33,984	(136,218)
447	41,803	42,250	Surplus or Deficit on Provision of Services	(1,480)	44,113	42,633
(28,729)			Opening Combined General Fund Balance	(28,282)		
447			Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	(1,480)		
-			Transfers to/from other Reserves	-		
(28,282)			Closing Combined General Fund Balance	(29,762)		

Notes to the core financial statements

2015/16			2016/17			
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	OPCC	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		Note	2.1	£000
1,043	(8)	1,035		1,121	9	1,130
3,347	(7)	3,347		3,777	-	3,777
		(7)		-	-	-
4,390	(15)	4,375		4,898	9	4,907
(3,943)	(627)	(4,570)		(6,378)	(1,116)	(7,494)
447	(642)	(195)		(1,480)	(1,107)	(2,587)
(28,729)				(28,282)		
447				(1,480)		
-				-		
(28,282)				(29,762)		

2.1 Note to Expenditure and Funding Analysis

GROUP	2016/17				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	2,582	8,680	(1,274)	-	9,988
Corporate & Democratic Core	-	-	9	-	9
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	132	-	-	132
Net Cost of Services	2,582	8,812	(1,265)	-	10,129
Other Income and Expenditure	(2,447)	36,114	317	-	33,984
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	135	44,926	(948)	-	44,113

Notes to the core financial statements

GROUP	2015/16				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	2,880	13,807	(1,310)	-	15,377
Corporate & Democratic Core	-	-	(8)	-	(8)
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	(635)	-	-	(635)
Net Cost of Services	2,880	13,172	(1,318)	-	14,734
Other Income and Expenditure	(1,815)	29,117	(233)	-	27,069
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	1,065	42,289	(1,551)	-	41,803

OPCC	2016/17				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Corporate & Democratic Core	-	-	9	-	9
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	-	-	-	-
Net Cost of Services	-	-	9	-	9
Other Income and Expenditure	135	-	(1,251)	-	(1,116)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	135	-	(1,242)	-	(1,107)

OPCC	2015/16				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Corporate & Democratic Core	-	-	(8)	-	(8)
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	(7)	-	-	(7)
Net Cost of Services	-	(7)	(8)	-	(15)
Other Income and Expenditure	1,064	74	(1,765)	-	(627)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	1,064	67	(1,773)	-	(642)

2.2 Expenditure and Income Analysed by Nature

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

It should be noted that this analysis includes some items within *cost of services* that are not required to be charged against the general fund for council tax purposes – this analysis does not therefore constitute the revenue budget of the Group.

2015/16 £000	Nature of Expenditure or Income	Note	2016/17 £000
98,516	Police officer pay and allowances		97,715
47,352	Police staff pay and allowances		47,737
3,576	Police pensions		3,025
13,767	IAS 19 Current Cost Adjustment (pensions)	27	8,680
763	Other employees expenses		1,189
4,788	Premises		4,566
3,004	Transport		3,516
13,795	Supplies and services		14,153
3,989	Agency and contracted services		7,082
1,110	The Office of the Police and Crime Commissioner		1,212
4,432	Commissioning Activities by the PCC		5,034
102	Revenue expenditure financed from capital resources (REFCUS)	14/30	111
4,209	Depreciation & amortisation charges	12/13	4,194
1,062	(Surplus) / deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	13	(60)
(635)	Non-distributed costs regarding pensions	27	132
199,830	Gross operating expenditure		198,286
(5,011)	Income from government grants	11	(4,878)
(8,261)	Income from fees and charges		(8,695)
(2,352)	Contributions from other local authorities		(4,605)
(1,085)	Commissioning grant		(1,257)
183,121	Cost of services		178,851
(198)	Other operating expenditure	3	(145)
59,077	Financing and investment income & expenditure	4	61,162
(170,410)	Taxation & non-specific grant income	5	(172,831)
(29,340)	Grant received from the Home Office in respect of the pension fund account	27	(24,404)
42,250	(Surplus) or deficit on provision of services		42,633
417	(Surplus) / deficit on revaluation of non-current assets	29	(635)
(142,233)	Actuarial (gains) / losses on pension assets/liabilities	26	426,495
(141,816)	Other comprehensive income & expenditure		425,860
(99,566)	Total comprehensive income & expenditure		468,493

3. Other operating expenditure (Group & OPCC)

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

2015/16 Outturn £000		Note	2016/17 Outturn £000
(217)	(Gains)/losses on the disposal of non-current assets	12/13	(145)
19	(Gains)/losses on the revaluation of assets held for sale	15	-
(198)			(145)

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

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

2015/16 OPCC £000	2015/16 Group £000		Note	2016/17 OPCC £000	2016/17 Group £000
748	748	Interest payable and similar charges		722	722
34	58,457	Pensions net interest cost	27	-	60,518
(88)	(88)	Interest receivable and similar income		(73)	(73)
(40)	(40)	Income and expenditure in relation to investment properties		(13)	(13)
-	-	Changes in the market value of investment properties	30	8	8
654	59,077			644	61,162

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

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

2015/16 Outturn £000		Note	2016/17 Outturn £000
(54,266)	Council tax income	8	(56,598)
(74,651)	Police grant		(74,276)
(39,876)	Non-domestic rates		(39,649)
(1,617)	Capital grants and contributions		(2,308)
(170,410)			(172,831)

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 A7.

A breakdown of the amounts received from each billing authority can be seen in note 8 – Related parties (on an accruals basis)

6. Officers' remuneration (Group & OPCC)

The remuneration paid to the OPCC/Group's senior officers and relevant police officers is as follows:

2016/17	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Compensation for loss of office	Pension contributions	Total
		£	£	£	£	£	£	£
				Note 1	Note 2	Note 4		
The Office of the CC								
Chief Constable		144,170	-	4,540	7,167		30,708	186,585
Deputy Chief Constable		118,938	-	3,225	5,430		25,334	152,927
Assistant Chief Constable (ACC)								
Senior Police Officer J		108,654	-	3,423	5,027		23,143	140,247
Senior Police Officer K (01/04/16 to 08/01/17)		74,843	213	2,650	6,027		14,098	97,831
Senior Police Officer L (09/01/17 to (27/03/17)		21,506	-	744	1,108		4,561	27,919
Senior Police Officer M	7	14,775	-	352	812		3,147	19,086
Finance Director	5	95,731	-	-	5,435		17,902	119,068
Director of Human Resources	5	94,955	-	-	5,494		17,757	118,206
		673,572	213	14,934	36,500		135,603	860,822
Office of the PCC								
Chief Executive		85,303	-	-	4,444	68,456	15,952	174,155
Head of Governance & Assurance (From 01/10/16)		30,243	-	-	-		5,655	35,898
Chief Financial Officer		83,059	-	-	5,027		15,532	103,618
		198,605	-	-	9,471	68,456	35,823	312,355
Group		872,177	213	14,934	45,971	68,456	171,426	1,173,177

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

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

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

Note 4 – This was paid to a former member of the Commissioner's staff to settle the contractual and statutory entitlements arising from the ending of the individual's employment.

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

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

Note 7 – Senior Police Officer M (ACC rank) covered a regional ACPO role for the period 4th April 2016 to 29th May 2016 on a Annualised Salary of £97,563. The costs of this post are shared by the 5 East Midland forces.

Notes to the core financial statements

Note 8 – The Head of Governance and Assurance covered the ‘Monitoring Officer Role’ from the 01/10/16 and will continue, until a new Chief Executive is appointed.

2015/16	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£ Note 1	£ Note 2	£	£
The Office of the CC							
Chief Constable		142,743	326	4,540	5,430	30,404	183,443
Deputy Chief Constable 1 (until 26/07/15)		37,452	-	6,935	-	-	44,387
Deputy Chief Constable 2 (wef 26/07/15)		80,308	-	2,193	3,626	17,156	103,283
Assistant Chief Constable							
Senior Police Officer I (until 25/07/15)		31,539	-	1,032	129	6,667	39,367
Senior Police Officer J		101,371	-	3,423	5,027	21,592	131,413
Senior Police Officer K (from 02/11/15)	6	39,980	294	1,397	2,081	7,399	51,151
Finance Director	5	92,853	-	-	5,435	16,435	114,723
Director of Human Resources	5	94,404	-	-	5,494	16,710	116,608
		620,650	620	19,520	27,222	116,363	784,375
Office of the PCC							
Chief Executive		95,997	-	-	5,027	16,992	118,016
Chief Financial Officer		82,578	-	-	5,027	14,616	102,221
		178,575	-	-	10,054	31,608	220,237
Group		799,225	620	19,520	37,276	147,971	1,004,612

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

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

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

Note 4 - No Compensation payments for the loss of office have been made during 2016/17.

Notes to the core financial statements

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

Group

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

- The bandings only include the remuneration of employees and relevant police officers who have not been disclosed individually; i.e. above the rank of Superintendent.
- One of the above posts is a National position which is funded by the Home Office.
- Leicestershire OPCC is the lead employer for the following regional teams; East Midlands Special Operations Unit, East Midlands Collaborative Human Resources Service (EMCHRS) Learning & Development and Occupational Health and the Regional Collaboration Team, six of the police staff employees and one police officer included in the table above work in the regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.
- From July 2016 the Head of HR post was shared between Leicestershire, Nottinghamshire and Northamptonshire. Leicestershire only meets its share of the costs (35.53%) with the remainder being funded by the other 2 forces.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Group

exit package cost band (including special payments)	number of compulsory redundancies		number of other departures agreed		total number of exit packages by cost band		total cost of exit packages in each band £	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	5	4	5	9	10	13	62,397	121,032
£20,001 - £40,000	1	-	-	5	1	5	25,472	123,515
£40,001 - £60,000	-	1	-	1	-	2	-	111,797
£60,001 - £80,000	-	1	-	-	-	1	-	70,351
£80,001 - £100,000	-	-	-	-	-	-	-	-
total	6	6	5	15	11	21	87,869	426,695

The table above only includes the exit packages for employees who have not been disclosed individually.

The OPCC/Group terminated the contracts of a number of employees in 2016/17, incurring liabilities of £427k (£88k in 2015/16). The £427k is payable to staff from a number of departments as part of the ongoing savings strategy. Leicestershire Police is the lead employer for a number of regional teams. Five of the Police Staff employees included in the table above worked as part of one of these teams and Leicestershire has therefore only met its share of the £123k with the remainder being funded by the other regional Forces.

7. Jointly Controlled Operations (Group)

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

East Midlands (EM) Jointly Controlled Operations

Jointly Controlled Operation	Member Forces	Ownership %	Lead Force
EM Special Operations Unit	All 5 Forces	23.00 %	Leicestershire
EM Major Crime	All 5 Forces	23.00 %	Leicestershire
EM Technical Support Unit	All 5 Forces	23.00 %	Leicestershire
EM Forensics	All 5 Forces	23.00 %	Derbyshire
EM Criminal Justice	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.41 %	Lincolnshire
EM Operational Support Service	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.41 %	Lincolnshire
EM Legal Services	All 5 Forces	23.00 %	Derbyshire
EM Occupational Health	All 5 Forces	23.00 %	Leicestershire
EM Learning & Development	Leicestershire, Nottinghamshire, Northamptonshire and Derbyshire	26.40 %	Leicestershire
EM HR Shared Service Centre	Leicestershire & Derbyshire	51.34%	Derbyshire
ASU (Hangar Only)	Leicestershire, Northamptonshire and Warwickshire	33.33 %	Leicestershire

The following tables relate to Leicestershire's share only.

7.1 Comprehensive Income & Expenditure Statement Jointly Controlled Operations

2015/16 £000		2016/17 £000
2,356	Police pay & allowances	2,385
3,863	Police Staff pay & allowances	4,497
185	Other employees expenses	194
72	Premises	65
684	Transport	749
1,156	Supplies & services	1,200
28	Agency & contracted services	74
(669)	Income from Government Grants	(1,024)
(293)	Income from Fees & charges	(242)
(7,714)	Funding provided to the pooled budget	(8,115)
-	Revenue Expenditure Funded from Capital Resources	1
129	Depreciation & Amortisation	240
136	(Surplus) / Deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	3
(67)	Cost of Services	27
1	Gains / Losses on disposal of non-current assets	23
19	Gains / Losses on disposal of non-current assets held for sale	-
(84)	Capital Grants & Contributions	(304)
(131)	(Surplus) / Deficit on Provision of Services	(254)
(12)	(Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)	24
(143)	Total Comprehensive Income & Expenditure	(230)

7.2 Balance Sheet Jointly Controlled Operations

2015/16 £000		2016/17 £000
11	Intangible Fixed Assets	139
1,515	Land & Buildings	1,611
408	Vehicles & equipment	550
35	Assets Under Construction	-
1,969	Total Long Term Assets	2,300
339	Short-term Debtors	581
103	Assets held for sale	103
1,237	Cash & Cash Equivalents	806
1,679	Current Assets	1,490
(669)	Short-term Creditors	(580)
(669)	Current Liabilities	(580)
1,010	Net Current Liabilities	910
2,979	Net Assets	3,210
(1,036)	Earmarked Reserves	(936)
-	Capital Grant Unapplied	-
(1,036)	Usable Reserves	(936)
(1,967)	Capital Adjustment Account	(2,324)
(103)	Revaluation Reserve	(77)
127	Accumulated Absences Account	127
(1,943)	Unusable Reserves	(2,274)
(2,979)	Total Reserves	(3,210)

7.3 Movement in Reserves Jointly Controlled Operations

2015/16	2016/17				
Total all JCO Reserves £000		Total General Fund £000	Earmarked Reserves £000	Total Unusable Reserves £000	Total all JCO Reserves £000
(2,836)	Balance Brought Forward	-	(1,037)	(1,943)	(2,980)
(131)	(Surplus) or deficit on the provision of services	(254)	-	-	(254)
(12)	Other comprehensive income & expenditure	24	-	-	24
(143)	Total comprehensive income & expenditure	(230)	-	-	(230)
-	Adjustments between accounting basis & funding basis under regulations	-	-	-	-
-	Depreciation / amortisation	(240)	-	240	-
-	Disposal of non-current assets	(29)	-	29	-
-	Revaluation of non-current assets	(3)	-	3	-
-	Revaluation of non-current assets held for sale	-	-	-	-
-	Capital grants / contributions applied to capital expenditure	304	-	(304)	-
-	Revenue Expenditure Funded From Capital (REFCUS)	(1)	-	1	-
-	Charges for Employee Benefits	-	-	-	-
-	Capital grants / contributions unapplied credited / debited to CIES	-	-	-	-
-	Insertion of items not debited or credited to the CIES			-	
-	Capital expenditure charged against the General Fund	324	-	(324)	-
-	Revaluation of non-current assets not charged to CIES	(24)	-	24	-
(143)	Net (increase)/decrease before transfers to/(from) earmarked reserves	101	-	(331)	(230)
-	Transfers to/(from) earmarked reserves	(101)	101	-	-
(143)	(Increase)/decrease in 2015/16	-	101	(331)	(230)
(2,979)	Balance at end of year	-	(936)	(2,274)	(3,210)

8. Related parties (Group & OPCC)

The OPCC/Group is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the OPCC/Group or to be controlled or influenced by the OPCC/Group. Disclosure of these transactions allows readers to assess the extent to which the OPCC/Group might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the OPCC/Group.

Central government has significant control over the general operations of the OPCC/Group. It is responsible for providing the statutory framework within which the OPCC/Group operates, and provides the majority of funding in the form of general or specific grants. Details of government grants are set out in a note to the Cash Flow Statement.

Senior officers of the OPCC have direct control or influence over the OPCC/Group's financial and operating policies. No material related party transactions have been identified following consultation with former members and relevant officers.

The OPCC/Group participates in 11 jointly controlled operations with other neighbouring police forces. See note 7 for further details.

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

Notes to the core financial statements

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

2015/16 £000	amounts are shown on an accruals basis	2016/17 £000
(5,585)	Blaby District Council	(5,842)
(9,519)	Charnwood Borough Council	(9,902)
(5,930)	Harborough District Council	(6,193)
(6,533)	Hinckley & Bosworth Borough Council	(6,834)
(12,353)	Leicester City Council	(12,874)
(3,218)	Melton Borough Council	(3,285)
(5,508)	North-West Leicestershire District Council	(5,805)
(2,993)	Oadby & Wigston Borough Council	(3,135)
(2,627)	Rutland County Council	(2,728)
(54,266)	Total	(56,598)

A further analysis of grants and contributions received can be seen in the grant income note (Note 11).

The Police & Crime Commissioner undertakes commissioning activities that result in payments made to a variety of large and small partner organisations (particularly in the public and voluntary/charitable sectors) to commission outcomes against his Police & Crime Plan. In the case of the smallest organisations, these funds may form a significant proportion of their total funding requirement.

9. External audit costs (Group & OPCC)

In 2016/17 the OPCC/Group incurred the following fees relating to external audit.

2015/16		Costs	2016/17	
OPCC £000	Group £000		OPCC £000	Group £000
32	47	External audit services	37	52
32	47	Total	37	52

10. Leases (Group & OPCC)

10.1 OPCC as lessee

Finance leases

The OPCC holds two finance leases in respect of the land at the Spinney Hill & two rooms at Market Bosworth. In entering into the Spinney Hill lease in 2005, the OPCC made an initial lump sum payment which negated the need to make further payments to the landlord over the 99 years of the lease. The Market Bosworth lease was signed in April 2005, no initial payment was made but an annual peppercorn rent of £1 is payable for the duration of the 99 year lease.

Operating leases

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

Notes to the core financial statements

2015/16		2016/17				
Total		Property	Vehicles	Photo-copiers	Vending machines	Total
£000		£000	£000	£000	£000	£000
483	Payments recognised as an expense	297	17	124	17	455
	Minimum lease payments Payable:					
27	Not later than one year	16	3	5	4	28
563	Later than one year and not later than five years	3	31	365	20	419
4,346	Later than five years	4,065	-	-	-	4,065

A number of beat offices are used by the OPCC/Group to support its community policing commitments. Many of these offices are rooms or facilities that are owned by other local authorities or organisations that kindly provide use of them to the OPCC/Group. In the majority of cases these facilities are provided informally although some rooms/facilities are more formally documented. The OPCC/Group does not pay for the use of these facilities, take responsibility for repairs and upkeep nor has any intention to seek ownership (whether in full or in part) of these facilities.

10.2 OPCC as lessor (Group & OPCC)

Operating leases

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

- Space on radio masts for telecommunication services

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

2015/16		2016/17
£000		£000
	Minimum lease receivables	
	Receivable:	
14	Not later than one year	18
-	Later than one year and not later than five years	207
1,705	Later than five years	1,369

11. Grant income (Group & OPCC)

The OPCC/Group credited the following grants and contributions to the Comprehensive Income & Expenditure Statement during the year. The grants are included in the cost of services section and also shown separately in the subjective analysis note (note 2.2)

2015/16		2016/17
£000		£000
	Credited to services:	
(2,349)	Dedicated Security Grant	(2,390)
(841)	Special Operations	(548)
(563)	Innovation Grant	(288)
(364)	Proceeds of Crime Act	(330)
(668)	JCOs (EMSOU & EMOpSS)	(1,024)
(226)	Others	(298)
(5,011)		(4,878)

Notes to the core financial statements

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

2015/16 £000	Capital grants receipts in advance	2016/17 £000
(744)	s106 developer contributions	(438)
(744)	Total	(438)

12. Intangible Assets (Group & OPCC)

2015/16 £000	Software Licenses	2016/17 £000
	Balance at start of year	
5,705	Gross carrying amounts	6,734
(4,765)	Accumulated amortisation	(5,009)
940	Net carrying amount at start of year	1,725
148	Additions	286
(429)	Disposals	(238)
1,311	Transfers	174
(627)	Amortisation for the period	(519)
382	Amortisation on disposals	216
1,725	Net carrying amount at end of year	1,644
	Comprising:	
6,734	Gross carrying amounts	6,956
(5,009)	Accumulated amortisation	(5,312)
1,725		1,644

Transfers

This heading represents the transfer in/(out) of intangible non-current assets between either *assets under construction* (most common) and *assets held for sale* (least common in the case of intangibles) on the balance sheet. The transfer from *assets under construction* in particular occurs regularly as the organisational capital programme delivers outputs.

Amortisation

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

- 3 – 10 years

Capital commitments

- See capital commitments under Note 13.

13. Property, plant and equipment (Group & OPCC)

The Leicestershire County Council Estates Department has been retained on behalf of the OPCC/Group to provide valuation services. A full revaluation of all land and buildings was completed as at 31st March 2014, this has been reviewed and updated where applicable as at the 31st March 2017. The impact of any movement is contained within the figures below. The land & buildings net carrying amount below includes £120k in respect of the land at Spinney Hill. The land is held under a finance lease.

Following a review to identify components within the OPCC/Group's non-current assets, it was found that the headquarters communications building has two components - heating/ventilation and electrical installation – which have been separated out from the main structure on the OPCC/Group's asset registers. The two components are considered to have an identical useful life; hence they are combined together for depreciation purposes. The heating/ventilation & electrical installation component is carried in the balance sheet at a net book value of £420k (31 March 2016 - £452k) – the remainder of the building structure being held at a net book value of £1.46m (31 March 2016 - £1.42m).

	Land and buildings	Vehicles	Equipment	Assets under construction	Total PPE
2016/17	£000	£000	£000	£000	£000
Cost or valuation	-	-	-	-	-
At 1 April 2016	54,872	8,062	17,384	1,326	81,644
Additions	1,570	515	1,837	831	4,753
Revaluations / impairments recognised in the Revaluation Reserve	153	-	-	-	153
Revaluations / impairments recognised in the surplus/deficit on the provision of services	(198)	-	-	-	(198)
Disposals	-	(1,052)	(2,628)	-	(3,680)
Transfers	(585)	641	477	(1,392)	(859)
At 31 March 2017	55,812	8,166	17,070	765	81,813
Accumulated depreciation and impairment					
At 1 April 2016	(1,884)	(5,161)	(13,373)	-	(20,418)
Depreciation charge	(806)	(925)	(1,944)	-	(3,675)
Disposals	-	829	2,583	-	3,412
Adjustment due to revaluations – Depreciation written out to the Reval Reserve	482	-	-	-	482
Adjustment due to revaluations – Depreciation written out to the CI&E	258	-	-	-	258
Adjustment in respect of transfers	-	-	-	-	-
At 31 March 2017	(1,950)	(5,257)	(12,734)	-	(19,941)
Net book value					
at 31 March 2017	53,862	2,909	4,336	765	61,872
at 31 March 2016	52,988	2,901	4,011	1,326	61,226

Notes to the core financial statements

	Land and buildings	Vehicles	Equipment	Assets under construction	Total PPE
2015/16	£000	£000	£000	£000	£000
Cost or valuation	55,142	8,068	17,917	1,858	82,985
At 1 April 2015					
Additions	1,079	834	1,609	2,234	5,756
Revaluations / impairments recognised in the Revaluation Reserve	(881)	-	-	-	(881)
Revaluations / impairments recognised in the surplus/deficit on the provision of services	(1,222)	-	-	-	(1,222)
Disposals	-	(840)	(2,446)	-	(3,286)
Transfers	754	-	304	(2,766)	(1,708)
At 31 March 2016	54,872	8,062	17,384	1,326	81,644
Accumulated depreciation and impairment					
At 1 April 2015	(1,728)	(4,848)	(14,002)	-	(20,578)
Depreciation charge	(780)	(1,053)	(1,749)	-	(3,582)
Disposals	-	740	2,378	-	3,118
Adjustment due to revaluations – Depreciation written out to the Reval Reserve	464	-	-	-	464
Adjustment due to revaluations – Depreciation written out to the CI&E	160	-	-	-	160
Adjustment in respect of transfers	-	-	-	-	-
At 31 March 2016	(1,884)	(5,161)	(13,373)	-	(20,418)
Net book value					
at 31 March 2016	52,988	2,901	4,011	1,326	61,226
at 31 March 2015	53,414	3,220	3,915	1,858	62,407

Transfers

This heading represents both the transfer of *assets under construction* into the relevant asset heading when they come into use or the transfer of property assets to *assets held for sale* on the balance sheet. Both types of transfer occur regularly as the organisational capital programme delivers outputs and as the estate continues to be rationalised.

Depreciation

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

- Buildings – 12 – 99 years
- Land – not depreciated
- Vehicles – 5 years
- Equipment – 5 – 25 years
- Assets under construction – not depreciated

Capital commitments

As at 31st March 2017, the OPCC had entered into a number of contracts for the construction or enhancement of property, plant and equipment to be completed in 2017/2018 and future years. The amounts are;

- Estates - a total of £3.1m - £1m for Coalville Estates review.
- IT – a total of £8.6m - £2.1m for Mobile Data/PC Replacement Refresh (Agile working programme) and £3.4m for IT Enabling Services Work Stream for the Tri-Force Collaboration. The planned IT spend will include both intangible and tangible assets.

Effects of Changes in Estimates

There have been no changes in estimates.

Revaluations

The figures shown in the tables above include both upward and downward revaluations of tangible non-current assets. These movements are captured in either the revaluation reserve (balance sheet) or the *other comprehensive income and expenditure* section of the comprehensive income and expenditure statement. Refer to accounting policy A18 (note 42) for further information.

Assets under Construction

As at the 31st March 2016 the Group/OPCC had taken delivery of 26 vehicles these were not registered with the DVLA or commissioned for operational purposes and have therefore been presented as Assets under Construction, these vehicles have now all been transferred to the Vehicle Asset Register as all are operational.

As at 31st March 2017 we had a further 12 vehicles classed as Assets Under Construction as these had not been commissioned for operational purposes.

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

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

2015/16 £000		2016/17 £000
22,794	Opening capital financing requirement	21,763
	<i>Capital investment</i>	
3,772	Operational assets	4,319
2,234	Non-operational assets	831
	<i>Sources of finance</i>	
(1,049)	Capital receipts	(857)
(1,617)	Government grants & other contributions	(1,674)
(211)	Use of Government Grant Reserve	-
(2,627)	Revenue contribution	(1,794)
(1,533)	Revenue provision (incl. MRP)	(1,568)
21,763	Closing capital financing requirement	21,020
	Explanations of movements in year	
-	Increase/ (decrease) in underlying need to borrow (supported by government financial assistance)	-
(1,031)	Increase in underlying need to borrow (unsupported by government financial assistance)	(743)
(1,031)	Increase/(decrease) in capital financing requirement	(743)

Notes to the core financial statements

The figure shown above for capital expenditure during 2016/17 differs from the amounts shown as additions on (a) the intangible and (b) property, plant and equipment notes (notes 12 and 13 respectively). The figure can be reconciled as follows:

2015/16 £000		2016/17 £000
6,006	Capital expenditure for the year (as above)	5,150
(102)	Less: Revenue expenditure financed from capital resources under statute (REFCUS) in the year	(111)
5,904		5,039

Capital receipts of £857k have been received in the year and have been fully applied to finance capital investment in the year. The balance on the capital receipts reserve is zero.

15. Assets held for sale (Group & OPCC)

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

As at 31st March 2016 Welford Road and Oakham (Small Office) were assets held for sale. Both of these properties were successfully sold in June 2016 and October 2016, respectively.

Assets held for sale at 31st March 2017 are Coalville Police Station and Themis House (EMSOU). Coalville has a sale agreed but not yet finalised and Themis is still being actively marketed.

2015/16 £000		2016/17 £000
753	Balance at the start of the year	378
	Assets classified as held for sale:	
397	Property, plant & equipment	686
(19)	Revaluation losses	-
(753)	Assets sold	(275)
378	Balance at the end of the year	789

16. Debtors (Group & OPCC)

16.1 Long-Term Debtors

At the balance sheet date, 13 car loans to employees were outstanding (2015/16 - 17). The loans are made to employees who are in posts who are designated as "essential car users", the interest rate applicable to each loan is fixed to the Bank of England base rate and is not variable during the life of the loan.

Long term sundry debtors includes IT spend for future years' maintenance and support.

16.2 Short-Term Debtors

31st March 2016			31st March 2017	
OPCC £000	Group £000		OPCC £000	Group £000
		Short-term debtors		
11,645	11,679	Central Government Bodies	10,429	10,468
5,793	5,817	Other Local Authorities	4,648	4,665
-	-	NHS Bodies	-	-
-	-	Public Corporation and Trading Funds	-	-
2,501	2,774	Other Entities and Individuals	2,044	2,312
19,939	20,270		17,121	17,445

Central government bodies (above) includes the Home Office pension fund top up grant of £5,620k (£7,111k in 2015/16)

Included within the Local authorities figures above are debtors in respect of the OPCC/Group's share of council tax collection fund debtors of £2,672k (£2,786k in 2015/16k).

17. Cash & cash equivalents (Group & OPCC)

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

31st March 2016 £000		31st March 2017 £000
3,301	Bank accounts & petty cash	3,951
12,003	Cash investments (less than three months maturity)	18,502
(2,572)	Adjustment for cash & cash equivalents held on behalf of joint arrangements	(1,904)
12,732	Total cash & cash equivalents	20,549

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

18. Deferred liabilities (Group & OPCC)

31st March 2016 £000		31st March 2017 £000
(1,356)	Leicestershire County Council	(917)

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.

19. Creditors (Group & OPCC)

31st March 2016			31st March 2017	
OPCC £000	Group £000		OPCC £000	Group £000
		Short-term creditors		
(119)	(2,956)	Central Government Bodies	(445)	(3,677)
(3,242)	(3,371)	Other Local Authorities	(4,901)	(4,901)
-	-	NHS Bodies	(44)	(44)
-	-	Public Corporations and Trading	-	-
(3,785)	(8,052)	Other Entities and Individuals	(5,043)	(8,780)
(7,146)	(14,379)		(10,433)	(17,402)

Included within the local authorities figures above are creditors in respect of the OPCC/Group's share of council tax collection fund creditors of £1,549k (£1,295k in 2015/16)

Included within the other entities and individuals figure above are creditors in respect of employee accumulated absences £3,768k (£3,465 in 2015/16). Further details are found in Note 32 (Accumulated Absences Account).

20. Long term borrowing (Group & OPCC)

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

31st March 2016 £000	<i>Maturity</i>	31st March 2017 £000
-	not more than 2 years	-
(1,723)	more than 2 years - not more than 5 years	(1,723)
(2,282)	more than 5 years - not more than 10 years	(4,172)
(6,894)	more than 10 years - not more than 15 years	(6,504)
(1,500)	More than 15 years	-
(12,399)		(12,399)

A significant proportion of the OPCC/Group's long-term borrowing – 52% matures more than 10 years after the balance sheet date. The maximum amount repayable in any one year is **£3.46m**.

21. Financial instruments (Group & OPCC)

A financial instrument is any contract that results in a financial asset on the balance sheet of one entity (for example the OPCC) and a financial liability or equity instrument on the balance sheet of another entity. The term "financial instrument" covers both financial assets and financial liabilities ranging from the most straightforward (i.e. cash investments, debtors and creditors) to the most complex (i.e. derivatives and embedded derivatives).

Financial assets have a carrying amount which is assumed to approximate the fair value due to the fact they are due to mature within 12 months of the balance sheet date (in the case of short-term assets). The Long-term debtors are also assumed to have a fair value equal to their carrying value. In the case of debtors and creditors, the fair value is taken to be the invoiced amount.

The PWLB borrowing has a fair value that is higher than the carrying amount. This is because borrowing with the PWLB is on the basis of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The fair value of PWLB borrowing has been calculated by reference to the "premature repayment" set of rates as at 31st March 2017.

With the exception of PWLB - long term borrowing the carrying amounts and fair values of all other financial assets and liabilities are the same and are disclosed in the balance sheet and relevant notes to the accounts.

Notes to the core financial statements

The fair value of the financial liability relating to PWLB - long term borrowing, which is carried in the balance sheet at the amortised cost is as follows:

31 st March 2016		Group / OPCC	31 st March 2017	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
		Financial liabilities		
(12,399)	(16,810)	PWLB - long term borrowing	(12,399)	(17,004)

22. Provisions (Group & OPCC)

	Balance at 1 April 2016 £000	additional provisions made £000	amounts used £000	unused amounts reversed £000	Balance at 31 March 2017 £000
Civil claims	(403)	(407)	89	118	(603)
Total	(403)	(407)	89	118	(603)

The civil claims provision reflects the self-insured part of public and employer's liability claims where the OPCC/Group's claims handlers have advised there is a high probability of economic benefits being transferred in the future. In addition to this specific provision, the OPCC/Group holds a civil claims reserve which holds discretionary amounts intended to smooth the impact of any claims that emerge which were not foreseen or considered likely.

23. Usable reserves (Group & OPCC)

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

31 st March 2016 £000		Note	31 st March 2017 £000
(22,282)	Earmarked reserves	25	(23,762)
-	Capital grants and contributions unapplied	28	(634)
(6,000)	General fund	SMR	(6,000)
(28,282)	Total usable reserves		(30,396)

24. Unusable reserves (Group & OPCC)

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

31 st March 2016	31 st March 2016		Note	31 st March 2017	31 st March 2017
OPCC £000	Group £000			OPCC £000	Group £000
(39,801)	(39,801)	Capital adjustment account	30	(40,524)	(40,524)
(2,272)	(2,272)	Revaluation reserve	29	(2,983)	(2,983)
(1,440)	(1,440)	Collection fund adjustment account	31	(1,123)	(1,123)
322	1,749,585	Pension reserve	26	-	2,221,006
22	3,465	Accumulated absences account	32	31	3,768
(43,169)	1,709,537	Total unusable reserves		(44,599)	2,180,144

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

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

These reserves are earmarked for the specific purposes noted below:

Reserve name	Balance at 1 April 2015 £000	transfers out 2015/16 £000	transfers in 2015/16 £000	Balance at 31 March 2016 £000	transfers out 2016/17 £000	transfers in 2016/17 £000	Balance at 31 March 2017 £000
Capital expenditure	(383)	280	(233)	(336)	113	(588)	(811)
Budget equalisation	(12,151)	2,500	(583)	(10,234)	345	(177)	(10,066)
PCSOs	(2,244)	13	-	(2,231)	-	(598)	(2,829)
Proceeds of Crime Act	(662)	124	(8)	(546)	123	(209)	(632)
Carry-forwards (specific)	(2,563)	1,918	(1,164)	(1,809)	1,520	(2,115)	(2,404)
Civil claims	(692)	-	-	(692)	-	(200)	(892)
SARC	(434)	452	(200)	(182)	28	(196)	(350)
Fleet insurance	(100)	148	(188)	(140)	153	(153)	(140)
Equipment Replacement	-	-	(100)	(100)	82	(525)	(543)
DBS	(71)	-	-	(71)	-	(18)	(89)
Commissioning	(1,343)	-	(2,623)	(3,966)	799	(103)	(3,270)
Other	(16)	-	-	(16)	-	-	(16)
IOM Underspend	(138)	-	(50)	(188)	-	(5)	(193)
Subtotal : OPCC/Group (direct control)	(20,797)	5,435	(5,149)	(20,511)	3,163	(4,887)	(22,235)
Jointly Controlled Operations	(860)	325	(501)	(1,036)	400	(299)	(935)
Subtotal : OPCC/Group (incl. jointly controlled reserves)	(21,657)	5,760	(5,650)	(21,547)	3,563	(5,186)	(23,170)
Funds held on behalf of partners							
Operation Liberal	(135)	-	(3)	(138)	-	(40)	(178)
Regional collaboration	(808)	349	(138)	(597)	183	-	(414)
Regional Asset Recovery Team	(129)	129	-	-	-	-	-
Grand total : OPCC/Group (incl. reserves held on behalf of partners)	(22,729)	6,238	(5,791)	(22,282)	3,746	(5,226)	(23,762)
movement in the year		447			(1,480)		

Capital expenditure

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

Budget equalisation

This represents revenue funds set aside to part fund the future revenue budget requirements of the OPCC/Group. The reserve is also used prudently to support the ongoing change programme and investments in the future structure of the OPCC/Group.

Police Community Support Officers (PCSOs)

This finances the cost of an additional 28 PCSOs supported by the Police and Crime Commissioner since 2015/16 and will continue to be used for this purpose until fully utilised.

Proceeds of Crime Act

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

Carry-forwards (specific)

This reserve includes those sums that the OPCC/Group has approved to carry forward to finance specific expenditure in 2016/17 and beyond.

Civil claims

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

SARC (Sexual Abuse Referral Centre)

Funds set a side from budget underspends and partner contributions to support future projects.

Fleet insurance

The excess on the vehicle insurance policy is **£7.5k**. The reserve is to meet the cost of claims that fall below this value.

DBS (Disclosure Barring Service previously Criminal Records Bureau)

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

Commissioning

This represents resources set aside to support the Police & Crime Commissioner's activities in support of the Police & Crime Plan and partnership working.

Integrated Offender Management (IOM)

Unspent funds received from the OPCC/Group's partners in respect of the IOM service. The funds have been set aside in an earmarked reserve to support future projects.

Joint & Controlled Reserves

This represents the OPCC/Group's share of reserves held by the following:

- EMSOU (East Midlands Special Operations Unit)
- EMSOU MC (East Midlands Special Operations Unit Major Crime)
- EMTSU (East Midlands Tactical Support Unit)
- Regional Learning & Development
- Regional Occupational Health Service
- HR Shared Service Centre
- Regional Forensic Shared Services
- East Midlands Legal Services Unit
- EMOpSS (East Midlands Operational Support Service)

Held on Behalf of Partners

Operation Liberal

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

Regional collaboration

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

Regional Asset Recovery Team

This reserve is held on behalf of the Regional Asset Recovery Team (RART) National Co-ordination Programme to develop and enhance the continued delivery of the Financial Investigation and Proceeds of Crime Portfolio. It has been fully utilised during 2016/17.

26. Pensions reserve (Group & OPCC)

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The OPCC/Group accounts for post employment benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the OPCC/Group makes employer's contributions to the pension funds.

The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the OPCC/Group has set aside to meet them. The pension contributions payable by both employer and employee are adjusted regularly via actuarial valuations – the aim being to reduce the shortfall over the longer term.

2015/16 OPCC £000	2015/16 Group £000	Group	Note	2016/17 OPCC £000	2016/17 Group £000
730	1,849,529	Balance at 1st April		322	1,749,585
(475)	(142,233)	Total remeasurements on pensions assets and liabilities (gains/losses)	27	(322)	426,495
133	68,398	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			70,431
(66)	(26,109)	Employer's pensions contributions and direct payments to pensioners payable in the year	27		(25,505)
322	1,749,585	Balance at 31st March		-	2,221,006

Note 27 – Defined benefit pension schemes provides further analysis of the figures shown above together with an explanation for their existence.

27. Defined benefit pension schemes (Group & OPCC)

This note reports the main pension funds of the Group. In previous years a small share of the Local Government Pension Scheme (LGPS) has been shown under the OPCC. From 2016/17 all of the transactions relating to the LGPS are shown under the Chief Constable (CC). 99% of the employees in the LGPS work for the Chief Constable and the balance relating to the OPCC is not significant.

Participation in pension schemes

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

The OPCC/Group participates in the following pension schemes:

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

Following changes introduced in the Public Pension Services Act 2013, from the 1st April 2014 scheme members now accrue pension entitlements based on their career-average rather than their final salary.

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

from the 1st April 2015 The Police Pension Scheme 2015 (CARE) scheme was introduced (under the Public Pension Services Act 2013), and members who are not covered by protection or the transitional arrangements in the previous schemes now accrue pension entitlements based on their career-average rather than their final salary. Three schemes were in operation during 2016/17 as well as injury awards:

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

Transactions relating to post-employment benefits

The OPCC/Group recognises the cost of retirement benefits in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the OPCC/Group is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in Reserves. The transactions within the Comprehensive Income & Expenditure Statement and Statement of Movement in Reserves the Group are as follows:

Notes to the core financial statements

	Local Government Pension Scheme				Police Pension Schemes (Group Only)		Comprehensive Income & Expenditure Account	
	2015/16 Group	2015/16 OPCC (CIES)	2016/17 Group	2016/17 OPCC (CIES)	2015/16 Group	2016/17 Group	2015/16 Group	2016/17 Group
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of services:								
Current service cost	10,424	106	8,715	-	29,492	25,470	39,916	34,185
Past service cost	24	-	132	-	-	-	24	132
(Gain) / loss from settlements	(659)	(7)	-	-	-	-	(659)	-
	9,789	99	8,847	-	29,492	25,470	39,281	34,317
Other Operating Expenditure:								
Home Office grant	-	-	-	-	(29,340)	(24,404)	(29,340)	(24,404)
Financing & investment income/expenditure:								
Net Interest cost	3,330	34	2,206	-	55,127	58,312	58,457	60,518
Net charge to surplus / deficit on provision of services	13,119	133	11,053	-	55,279	59,378	68,398	70,431
Other comprehensive income & expenditure:								
Return on Plan Assets (excluding the amount included in the net interest expense)	3,756	38	(29,051)	892	-	-	3,756	(29,051)
Actuarial (gains)/losses on changes in demographic assumptions	-	-	(2,412)	-	-	-	-	(2,412)
Actuarial gains and losses arising on changes in financial assumptions	(48,727)	(493)	61,283	-	(95,331)	401,303	(144,058)	462,586
Other (if applicable)	(1,931)	(20)	(4,628)	(1,214)	-	-	(1,931)	(4,628)
Net charge to total comprehensive income & expenditure	(33,783)	(342)	36,245	(322)	(40,052)	460,681	(73,835)	496,926
Statement of Movement in Reserves:								
Reversal of items not permitted to be charged to the general fund by statute	33,783	342	(36,245)	322	40,052	(460,681)	73,835	(496,926)
Employer Contributions	6,483	66	6,987	-	19,626	18,518	26,109	25,505
Net charge to general fund	6,483	66	6,987	-	19,626	18,518	26,109	25,505
Retirement benefits payable to pensioners	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Analysed as:								
Employers' contributions payable to schemes based on contrition rate	6,483	66	6,987	-	15,428	14,380	21,911	21,367
Employers' contributions payable to schemes – Cash	-	-	-	-	1,928	1,862	1,928	1,862
Top-Up	-	-	-	-	-	-	-	-
Direct payments - Injury awards payable	-	-	-	-	2,270	2,276	2,270	2,276
Total	6,483	66	6,987	-	19,626	18,518	26,109	25,505

Notes to the core financial statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme				Police Pension Schemes (Group Only)		Balance Sheet	
	2015/16 Group	2015/16 OPCC (B/Sheet)	2016/17 Group	2016/17 OPCC (B/Sheet)	2015/16 Group	2016/17 Group	2015/16 Group	2016/17 Group
	£000	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(210,888)	(1,214)	(279,998)	-	(1,687,438)	(2,129,601)	(1,898,326)	(2,409,599)
Fair value of plan assets	148,741	892	188,593	-	-	-	148,741	188,593
Sub total	(62,147)	(322)	(91,405)	-	(1,687,438)	(2,129,601)	(1,749,585)	(2,221,006)
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-	-	-
Net liability arising from defined benefit obligation	(62,147)	(322)	(91,405)	-	(1,687,438)	(2,129,601)	(1,749,585)	(2,221,006)

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

	Local Government Pension Scheme				Police Pension Schemes (Group Only)	
	2015/16 Group	2015/16 OPCC	2016/17 Group	2016/17 OPCC	2015/16	2016/17
	£000	£000	£000	£000	£000	£000
Opening fair value of scheme assets	145,253	855	148,741	892	-	-
Interest Income	4,689	47	5,298	-	-	-
Remeasurement gain/(loss)						
The return on plan assets; excluding the amount included in the net interest expense	(3,756)	(38)	29,051	(892)	-	-
Other (if applicable)	-	-	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-	-	-
Contributions from employer	6,483	66	6,987	-	19,626	18,518
Employer Contributions (Top Up Grant)	-	-	-	-	29,340	24,404
Contributions from employees into the scheme	2,376	26	2,380	-	9,121	8,764
Benefits paid	(3,816)	(39)	(3,864)	-	(58,087)	(51,686)
Other (if applicable)	(2,488)	(25)	-	-	-	-
Closing fair value of scheme assets	148,741	892	188,593	-	-	-

Notes to the core financial statements

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

	Local Government Pension Scheme				Police Pension Schemes (Group Only)	
	2015/16	2015/16	2016/17	2016/17	2015/16	2016/17
	Group	OPCC	Group	OPCC	2015/16	2016/17
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(247,666)	(1,585)	(210,888)	(1,214)	(1,747,116)	(1,687,438)
Current Service Cost	(10,424)	(106)	(8,715)	-	(29,492)	(25,470)
Interest Cost	(8,019)	(81)	(7,504)	-	(55,127)	(58,312)
Contributions from scheme participants	(2,376)	(26)	(2,380)	-	(9,121)	(8,764)
Remeasurement (gains) and losses						
Actuarial gains/losses arising from changes in demographic assumptions	-	-	2,412	-	-	-
Actuarial gains/losses arising from changes in financial assumptions	48,727	493	(61,283)	-	95,331	(401,303)
Other (if applicable)	1,931	20	4,628	1,214	-	-
Past service cost (including curtailments)	(24)	-	(132)	-	-	-
Losses/(gains) on curtailment (where relevant)	-	-	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-	-	-
Benefits paid	3,816	39	3,864	-	58,087	51,686
Liabilities extinguished on settlements (where relevant)	3,147	32	-	-	-	-
Closing balance at 31 March	(210,888)	(1,214)	(279,998)	-	(1,687,438)	(2,129,601)

The liabilities show the underlying commitments that the OPCC/Group has in the long run to pay for retirement benefits. The total net liability of £2,221m has a substantial impact on the net worth of the OPCC/Group as recorded in the balance sheet, resulting in a negative overall balance of £2,150m. However, the statutory arrangements for funding the deficit mean that the financial position of the OPCC/Group remains stable.

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

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

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

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

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

Basis for Estimating Assets and Liabilities

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

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

	Local Gov't Scheme		Police Schemes	
	2015/16	2016/17	2015/16	2016/17
• rate of inflation (increase or decrease by 1%)	3.20%	3.20%	2.00%	2.30%
• rate of increase in salaries (increase or decrease by 1%)	3.20%	3.40%	3.5%*	3.80%
• rate of increase in pensions (increase or decrease by 1%)	2.20%	2.40%	2.00%	2.30%
• rate for discounting scheme liabilities (increase or decrease by 1%)	3.50%	2.60%	3.50%	2.50%

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

Notes to the core financial statements

Local Government Pension Scheme assets comprised

2015/16 Group	2015/16 OPCC	Fair Value of Scheme Assets	2016/17 Group
£000	£000		£000
2,974	18	Cash and cash equivalents	12,045
		<i>Equity instruments: by industry type</i>	
-	-	Consumer	-
-	-	Manufacturing	-
-	-	Energy and utilities	-
-	-	Financial institutions	-
-	-	Health and care	-
-	-	Information technology	-
4,064	24	Other	4,872
4,064	24	Sub total equity	4,872
		<i>Bonds: by sector</i>	
7,853	47	UK Government	16,241
6,123	37	Other	2,067
13,976	84	Sub total bonds	18,308
		<i>Property: by type</i>	
15,148	91	UK Property	15,154
-	-	Overseas Property	-
15,148	91	Sub total property	15,154
		<i>Private equity</i>	
5,710	34	All	7,121
5,710	34	Sub total private equity	7,121
		<i>Other investment funds:</i>	
72,973	438	Equities	90,327
16,007	96	Bonds	16,911
6,750	40	Hedge Funds	6,332
3,197	19	Commodities	4,443
3,884	23	Infrastructure	8,442
4,113	25	Other	4,725
106,924	641	Sub total other investment funds	131,180
		<i>Derivatives</i>	
(55)	-	Forward foreign exchange contracts	(87)
148,741	892	Total assets	188,593

28. Capital grants & contributions unapplied (Group & OPCC)

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

2015/16 £000		2016/17 £000
(1,413)	Amounts receivable in the year	(1,741)
1,624	Amounts applied to finance new capital investment in the year	1,107
211	Total increase / (decrease) in the year	(634)
(211)	Balance brought forward at 1 st April	-
-	Balance carried forward at 31st March	(634)

29. Revaluation reserve (Group & OPCC)

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

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

2015/16 £000		2016/17 £000
	Movements in unrealised value of non-current assets	
(39)	Gains on upward revaluation of non-current assets	(659)
456	Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services	24
(56)	Transfer to capital adjustment account in respect of non-current asset depreciation (on a revaluation gain)	(76)
-	Transfer to capital adjustment account in respect of residual gains held at the point of disposal of a non-current asset	-
361	Total movement on reserve in the year	(711)
(2,633)	Opening balance at 1st April	(2,272)
(2,272)	Closing balance at 31st March	(2,983)

30. Capital adjustment account (Group & OPCC)

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

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

2015/16	<i>(See note 1 for further details)</i>	2016/17
£000		£000
4,209	Charges for depreciation and amortisation of non-current assets	4,194
56	Amounts transferred from revaluation reserve in respect of depreciation/amortisation	76
1,062	Transfer from Comprehensive Income & Expenditure Statement in respect of non-current asset revaluations	(60)
19	Revaluation on non-current assets held for sale	-
102	Revenue Expenditure funded from Capital under Statute (REFCUS)	111
-	Transfer from revaluation reserve in respect of residual gains held at the point of disposal of a non-current asset	-
966	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	841
6,414	Net amount written-out of the cost of non-current assets consumed in the year	5,162
(2,627)	Capital expenditure charged against the general fund	(1,794)
(1,049)	Use of the capital receipts reserve to finance new capital expenditure	(857)
(1,617)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(1,674)
(211)	Application of grants to capital financing from the capital grants unapplied account	-
(1,000)	Revenue provision (including MRP)	(959)
(533)	Voluntary revenue provision for capital financing	(609)
-	Movements in the market value of investment properties charged to the Comprehensive Income & Expenditure Statement	8
(7,037)	Capital financing applied in year	(5,885)
(623)	Total movement during the year	(723)
(39,178)	Opening balance at 1 st April	(39,801)

31. Collection fund adjustment account (Group & OPCC)

The collection fund adjustment account represents the OPCC/Group's share of the collection fund surplus/deficit held by each council tax billing authority within Leicestershire & Rutland. For 2015/16 and 2016/17, the breakdown of the figure on the OPCC/Group's balance sheet can be analysed as follows:

The OPCC/Group's collection fund adjustment account therefore has a credit balance (surplus) of **£1,123k** at 31st March 2017 (2015/16 - credit balance of **£1,440k**).

£000		2016/17 £000
(1,207)	Balance at 1st April	(1,440)
(233)	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	317
(1,440)	Balance at 31st March	(1,123)

32. Accumulated absences account (Group & OPCC)

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

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

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

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

2015/16 OPCC £000	2015/16 Group £000		2016/17 OPCC £000	2016/17 Group £000
(30)	(3,250)	Balance at 1st April	(22)	(3,465)
30	3,250	Reversal of opening accrual made at the end of the preceding year	22	3,465
(22)	(3,465)	Amounts accrued at the end of the current year	(31)	(3,768)
8	(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	(9)	(303)
(22)	(3,465)	Balance at 31st March	(31)	(3,768)

33. Cash flow statement – operating activities (Group & OPCC)

33.1 The Cash flows for operating activities includes the following items:

2015/16 OPCC £000	2015/16 Group £000		Note	2016/17 OPCC £000	2016/17 Group £000
(88)	(88)	Interest Received		(73)	(73)
747	747	Interest Paid		655	655
-	-	Dividends received		-	-
659	659			582	582

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

2015/16 OPCC £000	2015/16 Group £000		Note	2016/17 OPCC £000	2016/17 Group £000
(3,582)	(3,582)	Depreciation	13	(3,675)	(3,675)
(19)	(19)	Impairment and downward valuations		-	-
(627)	(627)	Amortisation	12	(519)	(519)
-	-	Increase/(decrease) in impairment bad debts		-	-
1,586	6,899	Increase/(decrease) in creditors/RIA		(2,455)	(1,897)
834	(4,479)	Increase/(decrease) in debtors/PIA		(3,116)	(3,131)
(53)	(53)	Increase/(decrease) in inventories		(45)	(45)
(67)	(42,289)	Movement in pension liability	2.1	-	(44,926)
(966)	(966)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		(843)	(843)
(1,246)	(1,469)	Other non-cash items charged to the net surplus or deficit on the provision of services		210	(627)
(4,140)	(46,585)			(10,443)	(55,663)

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

2015/16 OPCC £000	2015/16 Group £000		2016/17 OPCC £000	2016/17 Group £000
-	-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-	-
1,049	1,049	Proceeds from the sale of PP&E, investment property and intangible assets.	857	857
1,617	1,617	Any other items for which the cash effects are investing or financing flows	2,308	2,308
2,666	2,666		3,165	3,165

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

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

2015/16 OPCC £000	2015/16 Group £000		2016/17 OPCC £000	2016/17 Group £000
6,945	6,945	Purchase of Property, Plant and Equipment, Investment property and intangible assets	4,401	4,401
-	-	Purchase of short-term and long-term investments		
-	-	Other Payments for Investing Activities		
(1,049)	(1,049)	Proceeds from the sale of Property, Plant and Equipment, Investment property and intangible assets	(857)	(857)
-	-	Proceeds from short-term and long-term investments	-	-
(1,991)	(1,991)	Other receipts from investing activities	(2,002)	(2,002)
3,905	3,905	Total Investing Activities cash flows	1,542	1,542

35. Cash flow statement – financing activities (Group & OPCC)

Financing activities as shown on the Cash Flow Statement (Group & OPCC) consists of the following cash flows:

2015/16 OPCC £000	2015/16 Group £000		2016/17 OPCC £000	2016/17 Group £000
439	439	Repayment of short/long term borrowing	506	506
439	439	Total Financing Activities cash flows	506	506

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

Events after the balance sheet date have been considered for inclusion in the accounts up to the authorised for issue date 14th September 2017. No adjusting events have taken place to date.

37. Contingent liabilities (Group & OPCC)

The Civil Claims earmarked reserve (see Note 25 for further details) includes funds set aside by the OPCC/Group in respect of civil claims where transfer of economic benefits is deemed to be unlikely. The OPCC/Group has, however, considered it prudent to set aside funds in the discretionary reserve to cover an unforeseen change to that assessment.

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

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

In applying the accounting policies set out in Note 42 the OPCC/Group has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

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

The PCC / CC for Leicestershire is involved in various joint arrangements with other Forces in the East Midlands which are detailed in Note 7. These arrangements are judged to be jointly controlled operations due to the joint management and decision making structure of the agreement. Leicestershire's OPCC's share of transactions and balances are consolidated into the financial statements in accordance with the CIPFA Code of Practice.

39. Assumptions made about the future and other major sources of estimation uncertainty (Group & OPCC)

The Statement of Accounts contains estimated figures that are based on assumptions made by the OPCC/Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the balance sheet at 31st March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the core financial statements

item	uncertainty	effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the OPCC/Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £20k for every year that useful lives had to be reduced.
Property, plant and equipment	Where there is no market-based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value. 77% of the net book value of the OPCC's buildings is valued on this basis. The DRC values are reset each year using the 'instant build' approach using the latest available indices. External valuers' are engaged to undertake the valuation.	The indices used in the calculation can fluctuate year on year based on local market conditions. During 2016/17 the value of the 'specialised' buildings decreased by £93k.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the OPCC/Group with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. Sensitivities are shown below. However, the assumptions interact in complex ways. During 2016/17, the OPCC's actuaries advised that the net pensions liability had increased by £471m as a result of experience and updating of the assumptions.
Sensitivity of pension liabilities: Local Government Pension Scheme		
<i>Change in assumptions</i>		£000
0.5% decrease in real discount rate		34,145
1 year increase in member life expectancy		8,436
0.5% increase in salary increase rate		7,499
0.5% increase in the pension increase rate		25,947
Sensitivity of pension liabilities: Police Pension Schemes		
<i>Change in assumptions</i>		£000
0.1% increase in real discount rate		2,090,087
1 year increase in member life expectancy		2,182,610
0.1% increase in inflation		2,169,956
0.1% increase in salary increase rate		2,140,820

40. Nature and extent of risks arising from financial instruments (Group & OPCC)

The OPCC/Group's activities expose it to a variety of financial risks:

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

Credit risk

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

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

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

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

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

Liquidity risk

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

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

Risk may arise should the OPCC/Group have to repay a significant proportion of its borrowing in any one financial year. This risk is limited by the fact that the OPCC/Group's PWLB debt portfolio has a spread of maturity dates across a number of financial years. For the maturity profile of the OPCC/Group's PWLB debt commitment, please see Note 20 - Long term borrowing.

All standard creditors are due to be paid within one year – further information can be found in Note 19 - Creditors.

Market risk

Interest rate risk

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

- Future borrowings would be more costly and result in a higher interest expense charged to the Comprehensive Income & Expenditure Statement
- The fair value of existing borrowings would alter
- Future short-term investments would realise a greater return and result in a higher interest receipt credited to the Comprehensive Income & Expenditure Statement

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

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

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

Price risk

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

Foreign exchange risk

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

41. Re-Statement of Comparative Figures

Following the changes introduced by the 'Code' to the reporting format for 2016/17, the prior year figures in the following statements / notes have been restated for both the Group and OPCC:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Note 1 – Adjustments between accounting basis and funding basis under regulation

In the 2015/16 Statement of Accounts:

- 'Assets under construction' were disclosed on the face of the Balance Sheet for 2016/17 this balance has been incorporated into 'Property, Plant and Equipment'
- 'Payments in advance' were disclosed on the face of the Balance Sheet for 2016/17 this balance has been incorporated into 'Short term debtors'. The analysis of the Debtors in Note 16 has also been restated to reflect the 'Code' requirements.
- 'Receipts in advance' and 'accumulated absences' were disclosed on the face of the Balance Sheet for 2016/17 these balances have been incorporated in 'Short term liabilities'. The analysis of the Creditors Note 19 has also been restated to reflect the 'Code' requirements.

42. Accounting policies used by the Group & OPCC

A1 General principles

The Office of the Police and Crime Commissioner (OPCC) and the Group is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practice.

The Statement of Accounts summarises the OPCC and Group transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the Code) published annually by CIPFA, supported by International Financial Reporting Standards (IFRS).

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

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

A2 Accruals of income and expenditure

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

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

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

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

A3 Exceptional items

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

A4 Cash and cash equivalents

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

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

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

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

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

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

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

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

A6 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.

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, (Minimum Revenue Provision (MRP)). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

A7 Council tax – collection fund debtors/creditors and surplus/deficit

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

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

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

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

A8 Employee benefits

Benefits payable during employment

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

These benefits include:

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

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

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

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

Termination benefits

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

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

Post-employment benefits

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

a) Police officers

The Police Pension Scheme (PPS) for police officers is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007 the Group is required to operate a Pension Fund Account and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation. If the amounts receivable by the pension fund for the year are less than amounts payable, the OPCC/Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus if required to be transferred from the pension fund to the OPCC/Group, which then must be repaid to central government. Injury awards and the capital costs associated with ill health retirements are paid from the Group's Comprehensive Income and Expenditure Statement.

b) Police staff

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

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

- The liabilities of the Leicestershire County Council pension fund attributable to the OPCC/Group are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions of mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices.

The assets of Leicestershire County Council pension fund attributable to the OPCC/Group are included in the balance sheet at their fair value:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

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

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

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

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

Discretionary benefits

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

A9 Events after the reporting period

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

Two types of events can be identified:

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

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

A10 Financial instruments

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

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

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

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

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

A11 Government grants and contributions

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

Amounts recognised as due to the OPCC/Group are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the general fund balance in the Movement in Reserves Statement. Where the grant has yet

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

A12 Intangible assets

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

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

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

A13 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.

A14 Investment property

These are non-current assets that are held solely to earn income and/or realise capital appreciation and are subject to revaluation at least every 5 years by the OPCC/Group's specialist valuers. For the purposes of the next valuation the IFRS Fair Value market approach will be taken. Any change in the value of the investment property (together with any income or expenditure that is generated) is debited or credited to the *financing and investment income and expenditure* section of the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

A15 Jointly controlled operations

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

Adjustments have been made to the balance sheet to reflect the share of each jointly controlled operation's gross assets and liabilities controlled by the OPCC/Group as at 31st March 2017. Adjustments have also been made to the Comprehensive Income & Expenditure Statement to reflect the OPCC/Group's share of each jointly controlled operation's transactions during the year. These adjustments have no effect on the overall amount to be met from government grants and council tax. Further details are shown in Note 7

A16 Leases

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

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

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

The OPCC/Group as Lessee

Finance Leases

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

Operating Leases

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

The OPCC/Group as Lessor

Operating Leases

Where the OPCC/Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in

the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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

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

Where such an arrangement is deemed to constitute a lease, it is disclosed within the *leases* note in the financial statements (note 11 - Group Accounts).

A17 Overheads and Support Services

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

A18 Property, plant and equipment

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

Recognition

Expenditure – over the specified de minimis level – currently £10,000 - on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the OPCC/Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- assets under construction – historical cost until completed, whereupon they will be valued and included in the Balance Sheet as operational assets.
- 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 e.g Vehicles, IT assets and operational equipment.

Revaluation

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:

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

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

Components

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Disposals and non-current assets held for sale

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

Depreciation is not charged on assets held for sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the OPCC/Group's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the Movement in Reserves Statement. Where assets are funded by grants or contributions from other bodies that are repayable when the asset is disposed of, appropriate adjustments are made on disposal to recognise a liability.

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

A19 Non-current assets held for sale

Assets held for sale are those assets whose carrying amount is going to be recovered principally through a sale transaction rather than through continued use. Assets that are intended to be abandoned or scrapped at the end of their useful life are not covered by this definition. The Code sets a number of specific criteria, all of which must be met for an asset to be deemed "asset held for sale":

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

A20 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.

A21 Provisions & Contingent Liabilities

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the OPCC/Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are disclosed in a note to the accounts (Note 41 - Group Accounts).

A22 Reserves

The OPCC/Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Statement of Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, local taxation, retirement and employee benefits and do not represent usable reserves for the OPCC/Group.

A23 Revenue expenditure funded from capital under statute (REFCUS)

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

A24 VAT

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

Introduction

The police officer pension fund account was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932). It is administered by the Chief Constable using the resources of the OPCC/Group.

The fund receives income each year from:

- Employer's contributions from the OPCC/Group based on a percentage of pay
- Home Office top-up grant via the OPCC/Group
- Contributions from serving police officers
- Other receipts

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

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

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

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

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

Notes

Note 1

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

Note 2

Details regarding the accounting policies are detailed within note 42 and A8, notes to the core financial statements.

Note 3

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

Details of the OPCC/Group's long-term pension obligations can be found in the notes to the core financial statements at note 27.

Note 4

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

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

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

Introduction

In the financial year 2016/17, the implications of the Police Reform and Social Responsibility Act 2011 continued for the two corporations' sole of the Office of the Police and Crime Commissioner (OPCC) and the Office of the Chief Constable (OCC). During the year considerable focus has been placed on ensuring the governance arrangements which were in place under the term of the first Police and Crime Commissioner have continued following the election of Lord Bach as the second Police and Crime Commissioner for Leicestershire. The paragraphs below describe some of that effort and focus:

1) Scope of Responsibility

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

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

The PCC has approved and adopted a Corporate Governance Framework, which is consistent with the principles and guidance Notes of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of both the Framework and the 2016 Guidance notes for Policing Bodies in England and Wales can be obtained from the Office of the Police and Crime Commissioner (OPCC), Leicestershire Police Headquarters, St Johns, Enderby, Leicester, LE19 2BX.

This statement explains how the PCC has complied with the Framework and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an annual governance statement.

2) The Purpose of the Governance Framework

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

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

The Corporate Governance Framework was developed in 2013/14, was considered by the Joint Audit Risk and Assurance Panel (JARAP) and reviewed in March 2014 to incorporate the changes required under Stage 2 Transfer arrangements. The Framework is currently under review in conjunction with the Chief Finance Officers (CFO) and Finance Directors (FD) in Northamptonshire and Nottinghamshire to consider the opportunity to improve, develop and where appropriate align Corporate Governance Framework arrangements within the three Forces and OPCCs initially before considering wider within the Region.

3) The Governance Framework

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

- The Corporate Governance Framework;
- A Risk Management Strategy;
- An Annual Governance Statement produced by the OPCC and the OCC;
- A Regional Governance Statement;
- Responsibility given to the Strategy;
- Reviewing the operation of the Framework and the Risk Management Strategy in practice; and
- Ensuring that there is an effective Internal Audit function.

During 2016/17, Mazars continued as Internal Auditors for the Region. Regular review and planning meetings between Nottinghamshire, Northamptonshire and Leicestershire Chief Finance Officers (CFOs) and Finance Directors (FDs) took place which helped identify, discuss and share best practice and identify potential common audit themes. Additionally, Mazars attended Regional CFO and Finance Director meetings to update on the progress of 2016/17 Regional Collaboration audits and the Regional Collaboration Internal Audit Plan and proposed timescales for 2017/18.

The 2017/18 Internal Audit Plan was considered and approved at the JARAP, prepared following discussion and consideration of regional and three force audit themes, the Risk Register and other factors. The collaboration audit plan was based on a consistent methodology to that adopted in 2016/17 with the inclusion of Proceeds of Crime Act funding which is administered with both locally and regionally. By the end of 2017/18, all collaboration audits will have been reviewed by the methodology and self-assessment reviews are being sought by regional collaborations in 2017/18. Additionally, the 2017/18 Internal Audit Plan includes an Audit of JARAP effectiveness. This audit is being undertaken for all but one Audit Committee within the Region in 2017/18 and will lead to a development and action plan moving forwards.

Mazars attended each JARAP meeting to routinely report to and provide assurance on the adequacy and effectiveness of internal control. In addition, they contribute to the JARAP forward plan and agenda-setting to inform and highlight national and regional themes, considerations and practices.

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

- A thorough Police and Crime Plan which was in place for 2016/17 and the annual report of which was considered at the Police and Crime Panel in 2016.
- A new Police and Crime Plan for 2017/21 which was developed during the year, the priorities and themes within it were based on significant public consultation.
- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan. Supported by the PCC attending the Performance Delivery Group (PDG) and reviewing Performance Reports at the Strategic Assurance Board;
- Comprehensive budgeting systems that seek to align resources with priorities;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action or highlight reinvestment opportunities;
- Effective risk management strategies, registers, action plans and tactics;
- A Commissioning Framework to 31 March 2017 which detailed the approach to engagement with partners and to commissioning appropriate outcomes through third party providers;
- A new Commissioning Framework developed for 2017/18 to support the delivery and priorities of the new Police and Crime Plan.
- Engagement in value for money benchmarking such as is conducted by Her Majesty's Inspectorate of Constabulary (HMIC);
- A well-researched and coherent Corporate Governance Framework that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriate statutory officers within both the OPCC and OCC and Deputies, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- Codes of Conduct and standards of behaviour clearly set out in governance documents and the former signed by the PCC;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC;
- In-house Internal Audit team where the plan is directed towards risk and emerging issues; and where the plan is shaped by both the OPCC and the OCC;
- External reviews and inspections including thematic reviews by HMIC which inform the PCC and the CC and highlight risks and learning points in addition to good practice.
- An Ethics, Integrity and Complaints Committee for which a protocol was developed in 2016/17 to align the work of the JARAP and the Committee for optimum benefit moving forwards;
- Regular reviews and updates on Regional Collaboration are discussed at the East Midlands PCC and CC Board who meet bi-monthly.

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

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

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

Detailed reviews of whistleblowing and complaints are considered by the Ethics, Integrity and Complaints Committee who also undertake dip sampling of complaints.

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

Principle B: Ensuring openness and comprehensive stakeholder engagement

All agendas, papers and meetings of the JARAP and Ethics, Integrity and Complaints Committee and the Police and Crime Panel which are all open to the public.

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

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

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

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

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

The PCC has a Minimum Revenue Policy and Reserves and Treasury Management are considered with the Capital Programme and Revenue budget when considering the level of precept to be set. There are regular reports to the Strategic Assurance Board to report on progress and compliance with the code during the year.

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

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

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

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

Principle E: Developing Capacity and Capability

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

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

Principle F: Managing Risks and Performance

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

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

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

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

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

Annual reports on HR and complaints and disciplinary processes are considered by the Strategic Assurance Board and the Ethics, Integrity and Complaints Committee, together with actions and lessons learned.

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

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

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

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

5) Review of Effectiveness

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

During the year, the PCC appointed a Deputy PCC (DPCC) to support him in delivering the responsibilities of the role.

The Office of the Police and Crime Commissioner (OPCC) were subject to a significant number of staff vacancies or sickness during 2016/17, which included the Chief Executive/Head of Paid staff. Whilst immediate Deputy Chief Executive/Head of Paid Staff and Monitoring Officer cover arrangements were put into place, this impacted significantly on the capacity and resilience in the office and significantly increased the risk to the delivery of statutory duties of the Police and Crime Plan, for which JARAP members also raised their concerns. The PCC put in place temporary staffing arrangements and, together with the DPCC, designed a proposed OPCC office structure for implementation in 2017/18. Consultation on the proposed structure will be completed by the 7 September 2017 and it is anticipated implementation (subject to changes through consultation) will follow shortly afterwards. Temporary cover arrangements are still in place for the Chief Executive/Head of Paid Staff/ Monitoring Officer role and the recruitment process is underway for this key role.

The OPCC and OCC continued to invest in an Internal Audit programme in 2016/17 which continued to give assurance under the arrangements for two corporation soles.

These ensured specific local audits on:

- Business Continuity
- Complaints Management
- Vetting procedures
- Pensions Provider
- Core Financial Systems
- Victims Code of Practice
- Information Technology and the
- Payroll Provider

During 2015/16, the Regional Chief Finance Officers developed a Collaboration Assurance Framework which set out key criteria and priorities for collaboration audits, ensuring all were assessed against a consistent methodology. Representatives from all regional JARAP's and CFOs attended a meeting to review and score the collaborations based on their self-assessments. The five lowest scoring collaborations were prioritised for inclusion in the 2016/17 Regional Collaboration Internal Audit Plan:

- East Midlands Shared HR Resource Centre
- East Midlands Legal Services
- East Midlands Operations and Specialist Services (EMOpSS)
- East Midlands Commercial Unit (EMSCU)
- East Midlands Specialist Operations Unit (EMSOU)

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

The Mazars Internal Audit annual report covered the period 1 April 2016 to 31 March 2017 and will be reported to and considered by the JARAP in June 2017.

The Internal Audit opinions for both the Police and Crime Commissioner and the Chief Constable for 2016/17 were as follows:

"From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31 March 2017, we can provide the following opinions":

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

The basis of Mazars opinion was as follows:

"Overall, we can provide assurance that management have in place a robust control environment and, whilst further remedial actions are needed in some areas, we are assured that management have in place effective processes for the implementation of identified areas of weakness.

Corporate Governance

As part of our 2015/16 audit plan, we undertook an audit of the controls and processes in place in respect of the Joint Code of Corporate Governance. The specific areas that formed part of this review included: the Corporate Governance Framework, policies and procedures, decision making framework, roles and responsibilities and performance monitoring. We provided a significant assurance opinion and concluded that risks in terms of the joint corporate governance framework were being managed effectively.

Whilst no specific audit of Governance was carried out during 2016/17, we have carried out a number audits where governance arrangements were a key aspect. Through our delivery of the internal audit plan and attendance at [Joint Audit, Risk & Assurance Panel \(JARAP\)](#) meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police has been effective for the year ended 31st March 2017.

Risk Management

As part of the 2015/16 Internal Audit plan we undertook an audit of the controls and processes in place in respect of risk management. The specific areas that formed part of this review included: policies and procedures; risk registers; risk mitigation; reporting arrangements and follow up of previous recommendations.

We provided a significant assurance opinion and concluded that overall risk management within the Force and OPCC is deemed effective and, with the exception of a few housekeeping issue, controls processes tested were being consistently applied. It was evident throughout the audit that risk management is well embedded at a strategic level and responsible staff had the required knowledge, experience and expertise to ensure good systems of internal control.

During the course of delivering the 2016/17 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

Internal Control

As illustrated in the tables below, we have noted that Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police have a robust control environment. During the 2016/17 year, one (11%) internal audit was rated 'significant assurance', whilst all internal audits received "significant" or "satisfactory assurance". During 2016/17 no internal audits were rated 'limited assurance'.

Assurance Gradings	2016/17	
Leicestershire Audits:		
Significant	1	11%
Satisfactory	8	89%
Limited	0	0
NIL	0	0
Deferred to 2017/18	2	-
TOTAL	11	100%

In addition, of the five collaborative audits covering the East Midlands policing region, four were rated 'satisfactory assurance', with one being rated 'limited assurance'.

The collaboration audit with limited assurance related to the Legal Services collaboration.

External audit (Ernst & Young LLP) issued their Annual Audit Letter for 2015/16 in October 2016. That letter was intended to summarise the results of their 2015/16 audit and built on the report to those charged with governance considered by the JARAP at their meeting on the 14 September 2016. It reported that:

- "we have issued an unqualified audit opinion for the PCC, CC, Group and Pension Fund – the financial statements give a true and fair view of the financial position of each entity as at March 2016 and of its expenditure and income for the year then ended;
- other information published with the financial statements was consistent with the Annual Accounts;
- we concluded that you have put in place proper arrangements to secure value for money in your use of resources
- the Governance statement was consistent with our understanding of the PCC and CC;
- we had no matters to report in the public interest;
- written recommendations to the PCC and CC which should be copied to the Secretary of State – we had no matters to report;
- other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014 – we had no matters to report;
- reporting to the National Audit Office (NAO) on our review of the PCC and CC's Whole of Government Accounts Return (WGA) – we had no matters to report;

As a result of the above we have also:

- issued a report to those charged with governance of the PCC and CC communicating significant findings resulting from our audit - our Audit Results Report was issued on 19 September 2016;
- issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice - our certificate was issued on 23 September 2016."

The JARAP met four times in public during the year, in addition members undertook thematic (detailed) reviews into key areas to give greater assurance on the controls in place. The JARAP undertook a detailed work plan which included considering the work of internal and external audit, tracking of Internal Audit recommendations, risks and risk management, and specific themes.

In addition, the JARAP approved an annual workplan, for 2017, reviewed their terms of reference, produced an annual report of their work and will be producing an annual report for 2016/17.

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

During the year, the JARAP received or prepared a number of updates, presentations, letters and reports on specific areas of risk or concern. These included (but were not limited to) Seized and Found Property and Health and Safety. Following recent concerns highlighted by the JARAP in relation to Health and Safety, an Internal Audit has been scheduled to review this area further.

All members and the Chair were offered a second term in their roles on the JARAP, all members bar the Chair took up this offer. The PCC and CC are currently recruiting for a JARAP Chair and to fill the vacant JARAP member role, the process for both these important roles is currently underway.

As part of the JARAP development, members agreed for an Internal Audit of JARAP Effectiveness to take place and this was undertaken in May 2017. The audit reviewed the JARAP in line with the guidance for core functions of Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013). Findings from this audit will be considered by the JARAP in June 2017 and will form a separate JARAP Development Action Plan.

Following review by the PCCs of Regional Governance arrangements, approval was given to recruit a dedicated team to support PCC's in this area. The posts will be appointed to in 2017/18.

6) Significant Governance Issues and Actions

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

Fraud from Seized and Found Property were highlighted to the JARAP within reports during the year and outlined within the Annual Governance Statements for 2014/15, 2015/16 and 2016/17.

The following significant governance issues have been identified, are linked to the Risk Register and are being addressed through appropriate action plans.

Police and Crime Plan and Resources

The Police and Crime Plan has been produced following thorough research and consultation. The priorities and themes are clear. However, in February 2017, the PCC highlighted that the funding position is challenging and that there is a potential funding gap of £10.3m by 2021/22. To meet this challenge, the PCC will support the Chief Constable to develop a Change Programme which includes a savings plan and which limits the impact of these savings on visible policing. The PCC has already committed to fund the resourcing of the Force Change Programme in 2017/18.

The responsibilities of the PCC continue to increase

Following the PCC coming into office there has been an increase in demands on the role compared to those made of the Police Authority, which had 17 members. In addition there has been an increasing direction to allocate additional responsibilities to the PCC, which latterly has included responsibilities for Victim, Witnesses and Restorative Justice Commissioning and referral services, and for which options are currently being considered for delivery from April 2018.

The OPCC has continued to strive and has achieved in containing and reducing its costs in order to show that it is operating with the minimum level of resources required to be effective, sharing resources with the OCC where this is appropriate and prudent to do so.

The PCC and the capacity and the resilience of the OPCC have been impacted by the significant staffing vacancies and absences and this has been raised as a concern by the JARAP and the Ethics Committee. These are being mitigated where possible by temporary staffing arrangements in the short term and in the longer term a structure is now being progressed and recruitment for a Chief Executive underway.

Seized and Found Property

Whilst many improvements have been made in the area of Seized and Found Property following the last governance statement, another recent issue has been highlighted and this area remains a risk and concern.

Update action plan reports have regularly been reviewed at the JARAP, Strategic Assurance Board and Change board and progress is being made, however, work is still underway with regards to the recent issue and a number of actions remain to be developed which will continue to be monitored.

HMIC Inspections and Force Performance

Receiving two good and two requires improvement for the 2016 HMIC Effectiveness inspection resulted in an overall "Requires Improvement" assessment for Leicestershire. Additionally, concerns have been highlighted regarding the HMIC Data Integrity Audit currently underway and recent performance information which shows an increasing reported crime trend not only nationally but also locally.

The Force have an action plan to improve following the HMIC Effectiveness inspection for which they report progress to the Police and Crime Commissioner through the Strategic Assurance Board. However, with HMIC Data Integrity and Efficiency Audits already underway or due shortly, given the reducing funding that has taken place and will continue to do so in the Medium Term, providing the capacity and resources required in Leicestershire to deliver any necessary improvements within the funding envelope available will be challenging. The Force has in place action plans which are shared regularly and further engagement and scrutiny in this area will continue by the PCC.

Collaboration – Governance Arrangements

A S22 Agreement for Tri-Force collaborations is in progress and it is anticipated will be completed in 2017/18.

National Developments

The Policing and Crime Act 2017 ("the 2017 Act") received Royal Assent on 31 January. The 2017 Act contains a wide range of measures, with four main areas that impact upon PCCs:

- "Blue Light" service collaboration
- Fire and Rescue Service governance
- Police complaints
- PCCs and Police areas

The detailed provisions within the Act are substantial and cover a wide range of areas, also amending a number of other existing pieces of legislation to ensure that they are aligned. Whilst only some of the provisions are of direct impact on a PCC, many of the others place new duties upon the Chief Constable and hence the PCC will need to expand on his assurance processes to ensure that the Chief is fulfilling these new duties.

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

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

Conclusion

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



Kirk Master
Deputy Police and Crime Commissioner

14th September 2017



Angela Perry
Head of Governance &
Assurance, OPCC

14th September 2017



Helen King
Chief Finance Officer, OPCC

14th September 2017



East Midlands Police Collaboration

Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

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

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

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

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

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

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

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

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

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

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

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

4. Incorporating good governance arrangements in respect of partnerships.

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

Signed

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

Date 24.5.17

Martyn Bates
Deputy Chief Constable (East Midlands)

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

Opinion on the Police and Crime Commissioner for Leicestershire financial statements

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

- *Police and Crime Commissioner for Leicestershire and Group Movement in Reserves Statement;*
- *Police and Crime Commissioner for Leicestershire and Group Comprehensive Income and Expenditure Statement;*
- *Police and Crime Commissioner for Leicestershire and Group Balance Sheet;*
- *Police and Crime Commissioner for Leicestershire and Group Cash Flow Statement;*
- *Police and Crime Commissioner for Leicestershire Pension Fund Account Statements;* and
- related notes 1 to 42.

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

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

Respective responsibilities of the *Chief Finance Officer* and auditor

As explained more fully in the *Statement of Responsibilities for the Accounts* set out on page 8, the *Chief Finance Officer* is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

In our opinion, the information given in the name of the document that the financial statements are published in the Annual Financial Report 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

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

Police and Crime Commissioner's responsibilities

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

Auditor's responsibilities

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

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

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

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

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

Conclusion

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

Certificate

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

Stephen Clark

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

Date:

1A September 2017

The maintenance and integrity of the Police and Crime Commissioner of Leicestershire web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accounting policies

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

Accrual

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

Actuarial gain/loss

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

Actuarial Valuation

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

Amortisation

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

Budget

A statement of the OPCC/Group's plans in financial terms. A budget is prepared and approved by the OPCC/Group prior to the start of each financial year.

Capital expenditure

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Capital financing requirement

The capital financing requirement represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third-party contributions at the time of spending. It measures the OPCC/Group's underlying need to borrow for a capital purpose.

Capital grant

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

Capital receipts

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

CIPFA

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

Commuted lump sums

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

Contingent liabilities

A contingent liability is either:

(a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the OPCC/Group's control, or

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

Corporate and democratic core

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

Creditors

Amounts owed by the OPCC/Group for work done, goods received or services rendered which have not been paid for by the end of the financial year.

Current service cost (Pensions)

The increase in the present value of pension liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of pension benefits on retirement.

Debtors

Sums of money due to the OPCC/Group for work done or services supplied but not received at the end of the financial year.

Deferred liabilities

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

Defined benefit scheme

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

Depreciation

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

Financial regulations

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

Financial year

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

Formula spending share

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

Impairment

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

Investment property

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

Leasing

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

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

Liquid resources

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

Minimum revenue provision

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

Net book value

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

Non-current assets

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

Non distributed costs

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

Past service cost (pensions)

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

Precept

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

Public Works Loan Board (PWLB)

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

Receipts and payments

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

Unusable reserves

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

Usable reserves

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