

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

**Annual Financial Report**

**2017/18**

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# Narrative Report by the Chief Finance Officer

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These accounts set out the overall financial position of the Chief Constable (CC), who is responsible for the Leicestershire Police Service, for the year ended the 31<sup>st</sup> March 2018.

The accounts for 2017/18 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority. This Code of Practice is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

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

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

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

For accounting purposes the OPCC and the Office of the Chief Constable together are known as the OPCC group. A separate set of statutory accounts has been published for the OPCC and the OPCC Group to recognise all the financial transactions incurred during 2017/18 on policing activities.

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

The financial report comprises two elements:

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

## **The Statement of Accounts**

The purpose of the Statement of Accounts is to provide clear information to readers on how the OCC has utilised available financial resources based on International Financial Reporting Standards (IFRS). This document provides details of the comprehensive income and expenditure for the financial year 2017/18.

All of the assets, liabilities and reserves were transferred to the OPCC during the first phase of transition and have remained under the OPCC's control during 2017/18. The OPCC receives all income and funding and makes all payments for the Group from the OPCC Police Fund.

The second phase of transition took place on the 1<sup>st</sup> April 2014 when the employment of the majority of police staff transferred to the CC.

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

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

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

## **The core financial statements:**

The presentation of the 2017/18 Financial Statements reflects the new reporting formats introduced by the 'Code' in 2016/17. An 'Expenditure and Funding Analysis' is now included in the notes.

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

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

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

### Movement in Reserves Statement

This summarises the movements to and from the reserves for the year 2017/18. This shows the unusable reserves held by the Chief Constable.

### Comprehensive Income and Expenditure Statement

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

### Balance Sheet

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

### Cash Flow statement

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

## **Notes to the core financial statements**

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

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

## **The supplementary financial statements:**

### Pension fund account

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

## **Non-audited supplementary documents**

### Narrative Report

The purpose of this Narrative Report is to offer interested parties a more understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the OCC's financial position.

### Statement of responsibilities

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

### Annual governance statement

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

## **Overview of 2017/18**

As has been the case for several years, the funding regime for the public sector continues to be challenging. Whilst, the police service was protected from significant budget reductions in the Comprehensive Spending Review (CSR) 2015 the 2017/18 Police Grant reduced by 1.4%.

However, as in previous years the formula devised to allocate grant according to need was not fully implemented, with the result being that the service has lost grant to which it is otherwise entitled under full application of the formula. It is now unlikely that any further review of the funding formula will be undertaken until the next Comprehensive Spending Review (CSR).

The council tax referendum limit was again set at 2.0% and the precept was increased by 1.99% to £187.23 for Band D property.

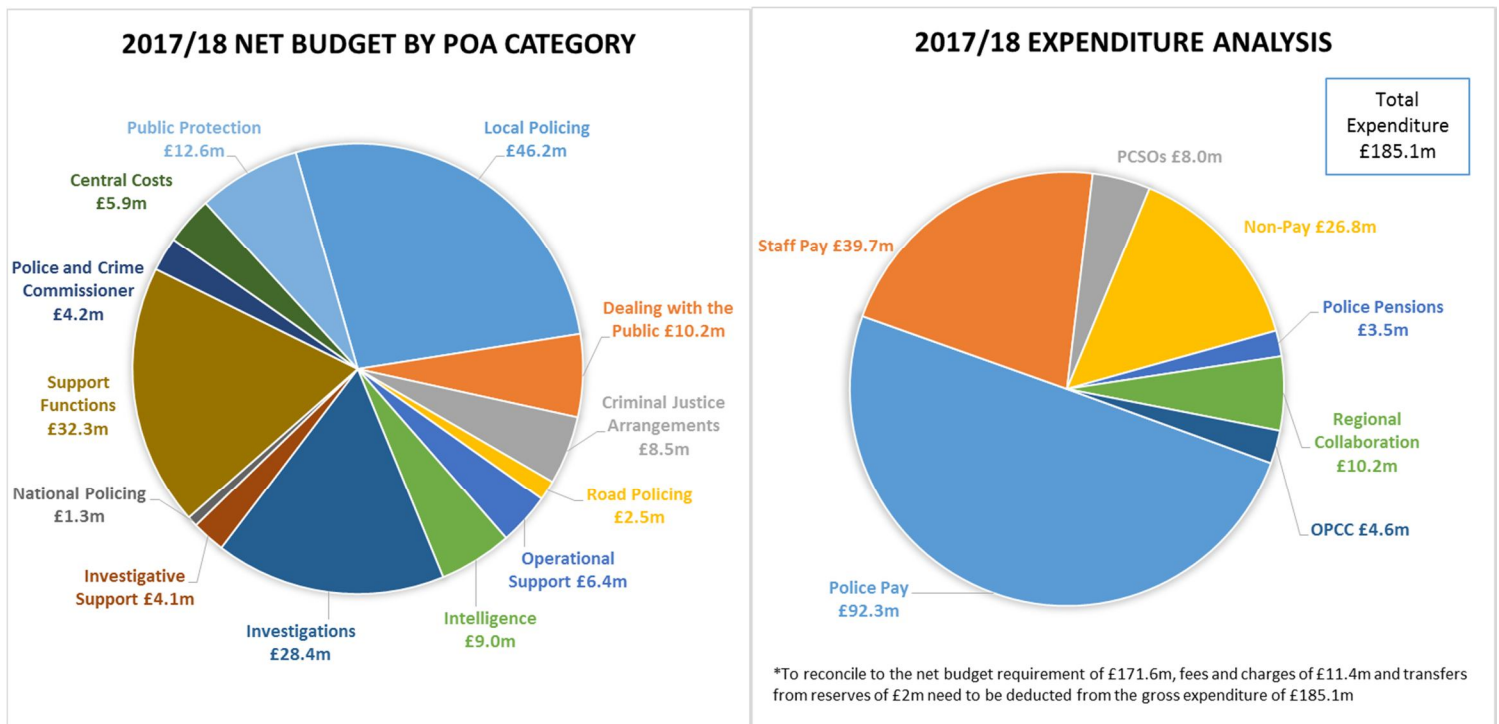
Leicestershire Police continues to face new risks in respect of the changing nature of crime and increasing levels of demand. The force continues to work with partners to understand how cuts in other public service budgets could potentially impact on Force demand and partnership working.

The OPCC sets the annual budget for the OCC in consultation with the CC. A net annual revenue budget of £171.6m was set for the service as a whole, after planning to make further efficiency savings during the year of £0.5m. £167.4m was managed by the CC with the remaining £4.2m relating to the costs of the OPCC (£1.1m) and commissioning activities (£3.1m).

Within the annual budget agreed with the CC the PCC provided the funding for an additional 8 additional police officers to increase visibility in local neighbourhoods offset by identified savings and the in year efficiency target.

The graphs below demonstrate how the budget was allocated to Police Operational Activities (POA) and by type of expenditure. 82% of the net budget is spent on officers and police staff.

# Narrative Report by the Chief Finance Officer



## Performance against budget

The Office of the Chief Constable for Leicestershire overspent its 2017/18 budget by £204k or 0.12%. This was attributable to:

- An overspend on police pay and allowances of £0.279m due to a higher than budgeted pay award together with reduction in the number of officers seconded to the region and the decision to increase the number of senior ranks.
- An overspend on corporate budgets of £0.096m due to the un budgeted cost of 7/12ths of the 1% police staff bonus and other Force priorities/pressures offset by savings on the Groups financing charges and additional income received.
- An underspend of £0.333m on policing functions provided regionally
- A net overspend of £0.162m in the delegated budgets as a result of a number of major investigations throughout the year, offset by an underspend in the Business Support Departments.

As the resources are consumed by the OPCC at the request of the OCC the revenue overspend occurs in the OPCC/Group accounts and the funds to cover the year-end overspend have been transferred from the Budget Equalisation Reserve.

## Operational Performance

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

Whilst the Crime Survey for England and Wales shows a reduction of 9% in the crime that people are experiencing there has been a rise of 19.2% in the actual crime reported to the Force.

The increase in recorded crime reflects national trends and seems to be down to a combination of factors. There have been more burglaries and vehicle crimes, with some of the latter needing manufacturers to design out opportunities for criminals. The increase in recorded violence reflects a number of things; it is encouraging that more people are feeling confident to report domestic abuse offences to the Force. The scale of domestic abuse remains a concern. During 2017/18 the Force had 18,181 such incidents reported to it representing 49 per day. The Force's work with partners is crucial to support victims and their families, and to target offenders. The long term impact is significant, and it damages in a very real way local communities, and the young people that see such incidents on a daily basis.

The Office of the Chief Constable for Leicestershire

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Recorded crimes of violence have also increased after changes to Home Office counting rules, which means that harassment and malicious communications are now included, and the Force has tightened up its processes around crime recording. Last summer the Force was a number of forces that received a critical audit by HMICFRS about our crime recording. The increase in recorded crime that we are now seeing in part reflects the Force's response to that audit.

The population Leicester, Leicestershire and Rutland continues to grow rapidly when compared to other places. This is reflected in calls for our service. Last year we received 11,014 more 'grade one' emergency 999 calls than we did five years ago. The Force has also worked hard on answering non-emergency 101 calls. The Force takes 500,000 of these a year. Our current pick up time is 6 seconds for 999 calls and 36 seconds for non-emergency calls. Only about 40% of those non-emergency calls are about crime. The Force frequently finds itself directing callers to the correct agencies.

As we look forward it is clear that safeguarding, online offending, and child sexual exploitation are areas that will continue to grow. The multi-agency safeguarding team, now located all together, are able to combine the support of social services, with our investigative role. In a typical day the Force refers over 50 children, and more than 20 adults, to partner agencies because of safeguarding concerns. Our national award winning Digital Hub means that we are turning around computer examinations in 21 days, rather than the 540 days of a few years ago. Our Integrated Offender Managers are focused on 316 of the most prolific offenders, seeing a reduction of their collective offending of over 30%. Our online investigators coordinated 135 enforcements against paedophiles, leading to 85 offenders being brought to justice. The Force also support partners in helping those at risk of being radicalised. In a year when the security state went to critical twice the Force has seen a 10% increase in local referrals to safeguarding through Prevent.

The Force has looked hard at how we deal with reports of missing people. On a typical day we take nine missing from home reports. We work with the places that make the most reports, and try to engage with partners around some of the people who go missing regularly to ensure that any problems are identified and resolved.

Visibility now includes both in actual places, and in the cyber world. The Force's network of neighbourhood teams means that every area in Leicester, Leicestershire and Rutland has a dedicated team solving problems at the heart of their communities. They are augmented by our Neighbourhood Investigation and 24/7 patrol officers who are out responding to calls from the public, keeping the roads safe, and providing reassurance.

## HMIC PEEL Inspection

During 2017/18 all Forces were subject to a PEEL (Police Effectiveness Efficiency and Legitimacy) inspection by Her Majesty's Inspectorate of Constabulary. Three separate reports were issued and can be viewed on the HMIC website.

The overall judgements were:

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

The judgments from the reports were:

### Effectiveness

*"...Leicestershire Police is good at keeping people safe and reducing crime. The force has made good progress since HMICFRS' 2016 effectiveness inspection. The force has looked at, and changed, the areas that required improvement. It has made other significant changes to improve the overall quality of the service it provides for people who are affected by crime, particularly those who might be vulnerable".*

### Efficiency

*"...Leicestershire Police is judged to require improvement in the efficiency with which it keeps people safe and reduces crime. This overall judgment is not consistent with last year when we judged the force as good for efficiency overall. The force's understanding of demand is judged to require improvement; it is judged to require*

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improvement for its use of resources to manage demand; and its planning for future demand is judged to require improvement”.

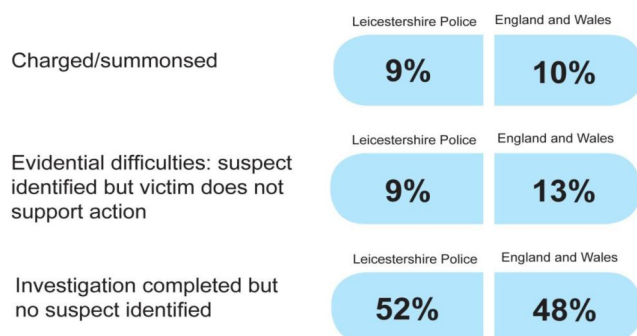
## Legitimacy

“...Leicestershire Police is judged to be good at how legitimately it keeps people safe and reduces crime. For the areas of legitimacy we looked at this year, our overall judgment is the same as last year. The force is judged to be good at treating the people it serves with fairness and respect. It is also judged to be good at how well it ensures its workforce behaves ethically and lawfully, and good at treating its workforce with fairness and respect”.

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



### Crime outcomes\*



### Domestic abuse



### Organised crime groups



### Calls for assistance



### Anti-social behaviour



### Crime (excluding fraud)



## Reserves

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

## Capital spending

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

£7.0m was spent on improving the buildings stock, investing in information technology, operational equipment and the vehicle fleet. The capital projects undertaken include the co-location of the Police with the Fire Service at Coalville, the continuation of the refurbishment at Beaumont Leys police station, the remodelling of existing office space at Force Headquarters to form an intelligence hub and significant investment in mobile technology to support new ways of working and replacing end of life desktop computers.



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During 2017/18 Coalville Police Station was disposed of as part of the Force's overall estates strategy. This facilitated the extension to the Fire Service accommodation allowing the co-location of the Police and Fire service.

## Retirement Benefits

Accounting for Retirement Benefits in the 2017/18 Statement of Accounts has resulted in a pension liability of £2,077m compared to £2,221m in 2016/17. The decrease in the liability is due to the actuarial gains arising from changes in the financial and demographic assumptions. The discount rate is based on corporate bond yields, which have increased during the year.

The police officer pension scheme liability is £1,985m with the balance relating to the Local Government Pension Scheme (LGPS).

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

## Outlook for 2018/19

The December 2017 grant settlement announced that for 2018/19 and 2019/20 the funding for Leicestershire Police would be maintained at £112.5m, with no change (flat cash) to the 2017/18 allocation. However, the allocation for 2019/20 is subject to demonstrating progress in delivering ministerial priorities around efficiency and productivity reform. Lord Bach also acknowledged the assumption contained within the settlement, that the precept could increase locally by £12.00 in 2018/19 and potentially, a further £12.00 in 2019/20, to ensure that police spending is protected in real terms for both years.

Whilst the settlement enabled the PCC to invest in the frontline operational visibility and capacity in neighbourhood policing (detailed below), the flat cash settlement resulted in an overall funding shortfall of £3.570m for 2018/19 which is being met from reserves.

The following areas for investment in 2018/19 were identified by the Chief Constable to meet threat, risk and harm and have been supported by the PCC in allocating the budget to the Force:

- Permanent growth in Neighbourhood Policing Areas of 24 full time equivalent posts. This equates to three additional Police Constables for each Neighbourhood Policing Area to address emerging issues relating to modern slavery, cyber-crime and fraud.
- Four additional Police Staff investigator posts to deal with sexual assault cases.
- One additional Police Staff post to support the Positive Action Officer in recruiting initiatives to increase the diversity of the workforce to better reflect the communities in which it serves.
- Allocation of additional Commissioning budget for the OPCC to support the priorities of the Police and Crime Plan.
- One-off investment in equipment to enable remote fingerprint recognition.
- IT costs in line with the national expectation to deliver a "modern digitally enabled workforce that allows officers to spend less time dealing with bureaucracy and more time preventing and fighting crime and protecting the public". This includes the continued deployment of agile equipment across the Force and particularly to frontline officers, supporting visible policing. The introduction of 'middleware' is expected to streamline police processes, reduce the time that Officers spend inputting data and maximise visibility. Budget has also been provided for the data bundle required to deliver this.

Against this background, the PCC set 2018/19 net revenue and capital budgets of £176.256m (after the use of reserves) and £11.607m respectively. A precept of £199.23 for a Band D property was set for the year, an increase of £12.00 (6.41%) over 2017/18.

Lord Bach recognises that there are further financial challenges facing the Police over the next five years and that in 2022/23 at the time of setting the budget and precept in January 2018, a financial shortfall of £9.0m was being forecast.

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Lord Bach supports the Chief Constable in developing a Change Programme which drives out further efficiencies to be able to both balance the budget and allows continued investment in improving the Force's capability in future years, whilst limiting the impact on visible policing to meet the financial challenges in future years.



**Paul Dawkins**  
**Chief Finance Officer**  
**24<sup>th</sup> July 2018**

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

The CC is required to:

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

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

The Statement of Accounts for the year to 31<sup>st</sup> March 2018 has been prepared and was approved at the Joint Audit Risk Assurance Panel (JARAP) on 24<sup>th</sup> July 2018.

## ***The Chief Finance Officer's responsibilities***

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

In preparing this Statement of Accounts the CFO has:

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

The CFO has also:

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

## ***Chief Finance Officer's certification***

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Office of the Chief Constable for Leicestershire at the reporting date and of its income and expenditure for the year ended 31<sup>st</sup> March 2018.



**Paul Dawkins**  
**Chief Finance Officer**  
**24<sup>th</sup> July 2018**

## Comprehensive Income & Expenditure Statement

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

2016/17				Note	2017/18		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
191,968	(18,238)	173,730	Policing Services		222,220	(18,776)	203,444
82	-	82	Corporate & Democratic Core		89	-	89
132	-	132	Non-Distributed Costs	14	2	-	2
<b>192,182</b>	<b>(18,238)</b>	<b>173,944</b>	<b>Cost of services</b>	<b>2</b>	<b>222,311</b>	<b>(18,776)</b>	<b>203,535</b>
-	(189,242)	(189,242)	Intra-group Transfer		-	(199,645)	(199,645)
60,518	-	60,518	Financing and investment income & expenditure	3	55,149	-	55,149
<b>252,700</b>	<b>(207,480)</b>	<b>45,220</b>	<b>(Surplus) or deficit on provision of services</b>		<b>277,460</b>	<b>(218,421)</b>	<b>59,039</b>
		426,817	Actuarial (gains) / losses on pension assets/liabilities	13			(202,854)
		<b>426,817</b>	<b>Other comprehensive income &amp; expenditure</b>				<b>(202,854)</b>
		<b>472,037</b>	<b>Total comprehensive income &amp; expenditure</b>				<b>(143,815)</b>

## Balance Sheet

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

31 <sup>st</sup> March 2017 £000		Note	31 <sup>st</sup> March 2018 £000
	<b>Non-current assets</b>		
50	Long term debtors	9	40
<b>50</b>	<b>Total long term assets</b>		<b>40</b>
	<b>Current assets</b>		
323	Short term debtors	9	331
2,859	Inter – Group Debtor		2,876
<b>3,182</b>			<b>3,207</b>
	<b>Current liabilities</b>		
(6,969)	Short term creditors	10	(7,448)
<b>(6,969)</b>			<b>(7,448)</b>
<b>(3,787)</b>	<b>Net current assets</b>		<b>(4,241)</b>
	<b>Long term liabilities</b>		
(2,221,006)	Liability related to defined benefit pension schemes	14	(2,076,727)
<b>(2,221,006)</b>			<b>(2,076,727)</b>
<b>(2,224,743)</b>	<b>Net assets / (liabilities)</b>		<b>(2,080,928)</b>
2,224,743	Unusable reserves	12	2,080,928
<b>2,224,743</b>	<b>Total reserves</b>		<b>2,080,928</b>

### Re-certification

The financial statements on pages 1 to 57 were issued on 30<sup>th</sup> May 2018 and the audited accounts were authorised for issue on 24<sup>th</sup> July 2018.



## Statement of Movement in Reserves

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

2017/18	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000
<b>Balance at 31 March 2017</b>	-	-	2,224,743	<b>2,224,743</b>
<b>Movement in reserves during 2017/18</b>				
Surplus or deficit on the provision of services	59,039	<b>59,039</b>	-	<b>59,039</b>
Other Comprehensive Income and Expenditure		-	(202,854)	<b>(202,854)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>59,039</b>	<b>59,039</b>	<b>(202,854)</b>	<b>(143,815)</b>
Adjustments between accounting basis and funding basis under regulations	(59,039)	<b>(59,039)</b>	59,039	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	-	-	<b>(143,815)</b>	<b>(143,815)</b>
Transfers to/from Earmarked Reserves	-	-	-	-
<b>Increase or Decrease in 2017/18</b>	-	-	<b>(143,815)</b>	<b>(143,815)</b>
<b>Balance at 31 March 2018</b>	-	-	<b>2,080,928</b>	<b>2,080,928</b>

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

## Cash Flow Statement

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

2016/17 £000		Note	2017/18 £000
45,220	<b>Net (surplus) or deficit on the provision of services</b>		<b>59,039</b>
(45,220)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	16.1	(59,039)
-	<b>Net cash flows from operating activities</b>		<b>-</b>
-	Investing activities		-
-	Financing activities		-
-	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>-</b>
-	Cash and cash equivalents at the beginning of the reporting period		-
-	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>-</b>

### 1. Adjustments between accounting basis and funding basis under regulations

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

2017/18	General Fund Balance	Movement in Unusable Reserves
	£000	£000
<b>Adjustments to the Revenue Resources</b>		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(58,575)	58,575
Holiday pay (transferred to the Accumulated Absences reserve)	(464)	464
<b>Total Adjustments</b>	<b>(59,039)</b>	<b>59,039</b>

2016/17	General Fund Balance	Movement in Unusable Reserves
	£000	£000
<b>Adjustments to the Revenue Resources</b>		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(44,926)	44,926
Holiday pay (transferred to the Accumulated Absences reserve)	(294)	294
<b>Total Adjustments</b>	<b>(45,220)</b>	<b>45,220</b>



## 2. Expenditure and Funding Analysis

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

2016/17			CC	2017/18		
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	Notes	£000	2.1 £000	£000
163,742	9,988	173,730	Policing Services	168,369	35,075	203,444
82	-	82	Corporate & Democratic Core	89	-	89
-	-	-	Commissioning	-	-	-
-	132	132	Non-Distributed Costs	-	2	2
<b>163,824</b>	<b>10,120</b>	<b>173,944</b>	<b>Net Cost of Services</b>	<b>168,458</b>	<b>35,077</b>	<b>203,535</b>
(163,824)	35,100	(128,724)	Other Income and Expenditure	(168,458)	23,962	(144,496)
-	<b>45,220</b>	<b>45,220</b>	<b>Surplus or Deficit on Provision of Services</b>	-	<b>59,039</b>	<b>59,039</b>
-			Opening Combined General Fund Balance	-		
-			Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	-		
-			<b>Closing Combined General Fund Balance</b>	-		

### 2.1 Note to Expenditure and Funding Analysis

	2017/18				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	6,320	29,818	(1,063)	-	35,075
Corporate & Democratic Core	-	-	-	-	-
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	2	-	-	2
<b>Net Cost of Services</b>	<b>6,320</b>	<b>29,820</b>	<b>(1,063)</b>	<b>-</b>	<b>35,077</b>
Other Income and Expenditure	(6,320)	28,755	1,527	-	23,962
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>-</b>	<b>58,575</b>	<b>464</b>	<b>-</b>	<b>59,039</b>

## Notes to the core financial statements

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

### 2.2 Expenditure and Income Analysed by Nature

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

It should be noted that this analysis includes some items within *cost of services* that are not required to be charged against the general fund for council tax purposes – this analysis does not therefore constitute the budget of the OCC. These items include: pension actuarial adjustments, revenue expenditure financed from capital resources and depreciation/amortisation. These items are included to ensure that the cost of the resources consumed is fully captured in accounting terms.

2016/17 Outturn £000		Note	2017/18 Outturn £000
97,715	Police officer pay and allowances		98,244
47,737	Police staff pay and allowances		51,290
3,025	Police pensions		3,489
8,680	IAS 19 Current Cost Adjustment (pensions)	14	29,818
1,189	Other employees expenses		1,509
4,566	Premises		5,051
3,516	Transport		3,692
14,153	Supplies and services		16,026
7,082	Agency and contracted services		6,371
<b>187,663</b>	<b>Total Expenses</b>		<b>215,490</b>

2016/17 £000	Grant Income	2017/18 £000
	<b>Credited to services:</b>	
(2,390)	Dedicated security grant	(2,354)
	Tri Force Collaboration	(976)
(548)	Special operations	(487)
(288)	Innovation Grant	(3)
(330)	Proceeds of Crime Act	(314)
(1,024)	JCOs ( <i>EMSOU, FSS &amp; EMOPSS</i> )	(1,316)
(298)	Others	(273)
<b>(4,878)</b>	<b>Total</b>	<b>(5,723)</b>

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

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

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

2016/17 Outturn £000		<i>Note</i>	2017/18 Outturn £000
60,518	Pensions net interest cost	14	55,149
<b>60,518</b>			<b>55,149</b>

**4. Officers' remuneration**

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

2017/18	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£	£	£	£
				Note 1	Note 2		
<b>The Office of the CC</b>							
Chief Constable		145,613	-	4,540	10,640	31,016	191,809
Deputy Chief Constable 1 (until 04/03/18)		116,924	-	2,991	5,036	23,722	148,673
Deputy Chief Constable 2 (from 05/03/18)		8,755		245	365	1,865	11,230
Assistant Chief Constables							
Senior Police Officer J	4	110,790	2,961	3,423	(932)	23,598	139,840
Senior Police Officer K (until 04/03/18)	5	97,698	-	3,131	4,662	20,686	126,177
Senior Police Officer L (from 08/01/18)	6	22,808	-	780	1,162	4,216	28,966
Senior Police Officer N (from 12/06/17)	7	78,890	-	2,710	4,036	14,600	100,236
Assistant Chief Officers							
Finance & Resources	8	95,349	-	-	5,435	18,879	119,663
Human Resources (until 30/04/17)	8	7,946	-	-	458	1,573	9,977
		<b>684,773</b>	<b>2,961</b>	<b>17,820</b>	<b>30,862</b>	<b>140,155</b>	<b>876,571</b>

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

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

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

**Note 4** – Senior Officer J covered the regional ACC role until the 5<sup>th</sup> June 2017 on an annualised salary of £110,148. From the 6<sup>th</sup> June 2017 Senior Officer J was seconded to a national role.

**Note 5** – Senior Officer K held the post Leicestershire ACC until the 4<sup>th</sup> March 2018 on an annualised salary of £111,249. On the 5<sup>th</sup> March 2018 this officer was promoted to Deputy Chief Constable on an annualised salary of £120,624.

**Note 6** – Senior Officer L (ACC rank) commenced as the Leicestershire ACC on the 8<sup>th</sup> January 2018 on an annualised salary of £98,538.

**Note 7** – Senior Officer N (ACC rank) commenced on the 12<sup>th</sup> June 2017 on an annualised salary of £98,538 in the regional ACC role for Leicestershire, Nottinghamshire and Northamptonshire. The costs of the post are shared between the 3 Forces. The Senior Officer is employed by Leicestershire and the total salary costs associated with the post are included in the table above.

**Note 8** – From the 1<sup>st</sup> January 2016 the Assistant Chief Officer (Finance & Resources) and Assistant Chief Officer (Human Resources) posts were shared between Leicestershire, Nottinghamshire and Northamptonshire. The Assistant Chief Officer (Finance & Resources) post is employed by Leicestershire and the total salary

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costs associated with this post are included in the table above. From May 2017, the costs associated with the Assistant Chief Officer (Human Resources) post are reflected in the Northamptonshire accounts and Leicestershire and Nottinghamshire contribute towards these costs.

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

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

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

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

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

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

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

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

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

Remuneration band £		2016/17 Number of employees	2017/18 Number of employees
50,000 to 54,999		2	5
55,000 to 59,999		3	2
60,000 to 64,999		2	3
65,000 to 69,999		6	6
70,000 to 74,999		2	1
75,000 to 79,999		1	2
80,000 to 84,999		3	1
85,000 to 89,999		2	4
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 and Emergency Services Network Collaboration, six of the police staff employees and one police officers included in the table above work in these regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.
- From the April 2017 the Head of HR post was shared between Leicestershire and Northamptonshire. Leicestershire only meets its share of the costs with the remainder being funded by Northamptonshire.

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	4	1	9	2	13	3	121,032	23,587
£20,001 - £40,000	-	-	4	-	4	-	93,315	-
£40,001 - £60,000	1	-	1	-	2	-	111,797	-
£60,001 - £80,000	1	-	-	-	1	-	70,351	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
<b>total</b>	<b>6</b>	<b>1</b>	<b>14</b>	<b>2</b>	<b>20</b>	<b>3</b>	<b>396,495</b>	<b>23,587</b>

The CC terminated the contracts of a number of employees in 2017/18, incurring liabilities of £24k (£396k in 2016/17). The £24k is payable to staff from a number of departments as part of the ongoing savings strategy.

## 5. Jointly Controlled Operations

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

### East Midlands (EM) Jointly Controlled Operations

Jointly Controlled Operation	Member Forces	Ownership %	Lead Force
EM Special Operations Unit	All 5 Forces	22.90 %	Leicestershire
EM Major Crime	All 5 Forces	22.90 %	Leicestershire
EM Technical Support Unit	All 5 Forces	22.90 %	Leicestershire
EM Forensics	All 5 Forces	22.90 %	Derbyshire
EM Criminal Justice	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.30 %	Lincolnshire
EM Operational Support Service	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.30 %	Lincolnshire
EM Legal Services	All 5 Forces	22.90 %	Derbyshire
EM Occupational Health	All 5 Forces	22.90 %	Leicestershire
EM Learning & Development	Leicestershire, Nottinghamshire, Northamptonshire and Derbyshire	26.36 %	Leicestershire
EM HR Shared Service Centre	Leicestershire & Derbyshire	50.00 %	Derbyshire
EM ESN Programme Team	All 5 Forces	22.60 %	Leicestershire
ASU (Hangar Only)	Leicestershire, Northamptonshire and Warwickshire	33.33 %	Leicestershire

The following tables relate to Leicestershire's share only.

### 5.1 Comprehensive Income & Expenditure Statement Jointly Controlled Operations

2016/17 £000		2017/18 £000
1,378	Police pay & allowances	2,062
3,738	Police Staff pay & allowances	4,922
192	Other employees expenses	598
65	Premises	116
264	Transport	699
755	Supplies & services	1,374
2,736	Agency & contracted services	32
(1,024)	Income from Government Grants	(1,316)
(207)	Income from Fees & charges	(407)
(8,115)	Funding provided to the pooled budget	(8,518)
1	Revenue Expenditure Funded from Capital Resources	-
240	Depreciation & Amortisation	279
3	(Surplus / Deficit on revaluation of non-current assets (not covered by accumulated revaluation gains	(19)
<b>26</b>	<b>Cost of Services</b>	<b>(178)</b>
23	Gains / Losses on disposal of non-current assets	1
	Gains / Losses on disposal of non-current assets held for sale	-
(304)	Capital Grants & Contributions	(341)
<b>(255)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(518)</b>
24	(Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)	12
<b>(231)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(506)</b>

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**6. Related parties**

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

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

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

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

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

**7. External audit costs**

In 2017/18 the OCC incurred the following fees relating to external audit.

2016/17 £000	Costs	2017/18 £000
15	External audit services	13
<b>15</b>	<b>Total</b>	<b>13</b>

**8. Leases**

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

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

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



**9. Debtors**

**9.1 Long-Term Debtors**

At the balance sheet date 13 car loans to employees were outstanding (2016/17 - 13). The loans are made to employees who are in posts who are designated as “essential car users”, the interest rate applicable to each loan is fixed to the Bank of England base rate and is not variable during the life of the loan.

**9.2 Short-Term Debtors**

31st March 2017 £000		31st March 2018 £000
	<b>Short-term debtors</b>	
39	Central government bodies	44
17	Local authorities	11
267	Other Entities & Individuals	276
<b>323</b>		<b>331</b>

**10. Creditors**

31st March 2017 £000		31st March 2018 £000
	<b>Short-term creditors</b>	
(3,232)	Central government bodies	(3,247)
(3,737)	Other Entities & Individuals	(4,201)
<b>(6,969)</b>		<b>(7,448)</b>

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

**11. Financial Instruments**

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

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

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

### 12. Unusable reserves

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

31st March 2017 £000		Note	31st March 2018 £000
2,221,006	Pension reserve	13	2,076,727
3,737	Accumulated absences account	15	4,201
<b>2,224,743</b>	<b>Total unusable reserves</b>		<b>2,080,928</b>

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

### 13. Pensions reserve

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

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

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

2016/17 £000		Note	2017/18 £000
<b>1,749,263</b>	<b>Balance at 1st April</b>		<b>2,221,006</b>
426,817	Actuarial gains or losses on pensions assets and liabilities		(202,854)
70,431	Reversal of items relating to retirement benefits debited or credited to the <i>surplus/deficit on the provision of services</i> in the Comprehensive Income & Expenditure Statement	14/1	85,193
(25,505)	Employer's pensions contributions and direct payments to pensioners payable in the year	1	(26,618)
<b>2,221,006</b>	<b>Balance at 31st March</b>		<b>2,076,727</b>

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

### 14. Defined benefit pension schemes

*This note reports the main pension funds of the Group. From 2016/17 all of the transactions relating to the LGPS are shown under the Chief Constable (CC). 99% of the employees in the LGPS work for the Chief Constable and the balance relating to the OPCC is not significant.*

#### *Participation in pension schemes*

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

The OCC participates in the following pension schemes:

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

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

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

from the 1<sup>st</sup> April 2015 The Police Pension Scheme 2015 (CARE) scheme was introduced (under the Public Pension Services Act 2013), and members who are not covered by protection or the transitional arrangements in the previous schemes now accrue pension entitlements based on their career-average rather than their final salary.

Three schemes were in operation during 2016/17 as well as injury awards:

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

#### *Transactions relating to post-employment benefits*

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

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	Local Government Pension Scheme		Police Pension Schemes		Comprehensive Income & Expenditure Account	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000	£000	£000
<b>Cost of services:</b>						
Current service cost	8,715	15,290	25,470	41,146	34,185	56,436
Past service cost	132	2	-	-	132	2
(Gain) / loss from settlements	-	-	-	-	-	-
	8,847	15,292	25,470	41,146	34,317	56,438
<b>Other Operating Expenditure:</b>						
Funding from OPCC	-	-	(24,404)	(26,394)	(24,404)	(26,394)
<b>Financing &amp; investment income/expenditure:</b>						
Net Interest cost	2,206	2,472	58,312	52,677	60,518	55,149
<b>Other</b>						
Impact of intra-group split of pension liabilities	-	-	-	-	-	-
<b>Net charge to surplus / deficit on provision of services</b>	<b>11,053</b>	<b>17,764</b>	<b>59,378</b>	<b>67,429</b>	<b>70,431</b>	<b>85,193</b>
<b>Other comprehensive income &amp; expenditure:</b>						
Return on Plan Assets (excluding the amount included in the net interest expense)	(29,943)	(3,619)	-	-	(29,943)	(3,619)
Actuarial (gains)/losses on changes in demographic assumptions	(2,412)	-	-	(102,423)	(2,412)	(102,423)
Actuarial gains and losses arising on changes in financial assumptions	61,283	(6,117)	401,303	(90,702)	462,586	(96,819)
Impact of intra-group split of pension liabilities	-	-	-	-	-	-
Other (if applicable)	(3,414)	7	-	-	(3,414)	7
<b>Net charge to total comprehensive income &amp; expenditure</b>	<b>36,567</b>	<b>8,035</b>	<b>460,681</b>	<b>(125,696)</b>	<b>497,248</b>	<b>(117,661)</b>
<b>Statement of Movement in Reserves:</b>						
Reversal of items not permitted to be charged to the general fund by statute	(36,567)	(8,035)	(460,681)	125,696	(497,248)	117,661
Employer Contributions	6,987	7,743	18,518	18,875	25,505	26,618
<b>Net charge to general fund</b>	<b>6,987</b>	<b>7,743</b>	<b>18,518</b>	<b>18,875</b>	<b>25,505</b>	<b>26,618</b>
Retirement benefits payable to pensioners	n/a	n/a	n/a	n/a	n/a	n/a
<b>Analysed as:</b>						
Employers' contributions payable to schemes	6,987	7,743	14,380	14,725	21,367	22,468
Employers' contributions payable to schemes – Cash			1,862	1,847	1,862	1,847
Top-Up						
Direct payments - Injury awards payable	-	-	2,276	2,303	2,276	2,303
<b>Total</b>	<b>6,987</b>	<b>7,743</b>	<b>18,518</b>	<b>18,875</b>	<b>25,505</b>	<b>26,618</b>

## Notes to the core financial statements

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

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

	Local Government Pension Scheme		Police Pension Schemes		Balance Sheet	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(279,998)	(295,254)	(2,129,601)	(1,985,030)	(2,409,599)	(2,280,284)
Fair value of plan assets	188,593	203,557	-	-	188,593	203,557
<b>Sub total</b>	(91,405)	(91,697)	(2,129,601)	(1,985,030)	(2,221,006)	(2,076,727)
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(91,405)</b>	<b>(91,697)</b>	<b>(2,129,601)</b>	<b>(1,985,030)</b>	<b>(2,221,006)</b>	<b>(2,076,727)</b>

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

	Local Government Pension Scheme		Police Pension Schemes	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Opening fair value of scheme assets	147,849	188,593	-	-
Interest Income	5,298	4,982	-	-
<b>Remeasurement gain/(loss)</b>				
The return on plan assets; excluding the amount included in the net interest expense	29,943	3,619	-	-
Other (if applicable)	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	6,987	7,743	18,518	18,875
Employer Contributions (Top Up Grant)	-	-	24,404	26,394
Contributions from employees into the scheme	2,380	2,531	8,764	8,662
Benefits paid	(3,864)	(3,911)	(51,686)	(53,931)
Other (if applicable)	-	-	-	-
<b>Closing fair value of scheme assets</b>	<b>188,593</b>	<b>203,557</b>	<b>-</b>	<b>-</b>

## Notes to the core financial statements

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

	Local Government Pension Scheme		Police Pension Schemes	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>(209,674)</b>	<b>(279,998)</b>	<b>(1,687,438)</b>	<b>(2,129,601)</b>
Current Service Cost	(8,715)	(15,290)	(25,470)	(41,146)
Interest Cost	(7,504)	(7,454)	(58,312)	(52,677)
Contributions from scheme participants	(2,380)	(2,531)	(8,764)	(8,662)
Remeasurement (gains) and losses				
• Actuarial gains/losses arising from changes in demographic assumptions	2,412	-	-	102,423
• Actuarial gains/losses arising from changes in financial assumptions	(61,283)	6,117	(401,303)	90,702
• Other (if applicable)	3,414	(7)	-	-
Past service cost	(132)	(2)	-	-
Losses/(gains) on curtailment (where relevant)			-	-
Liabilities assumed on entity combinations			-	-
Benefits paid	3,864	3,911	51,686	53,931
Liabilities extinguished on settlements (where relevant)	-	-	-	-
Impact of intra-group split of liabilities	-	-	-	-
<b>Closing balance at 31 March</b>	<b>(279,998)</b>	<b>(295,254)</b>	<b>(2,129,601)</b>	<b>(1,985,030)</b>

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

The liabilities show the underlying commitments that the OCC has in the long run to pay for retirement benefits. The total liability of £2,077m has a substantial impact on the net worth of the OCC as recorded in the balance sheet, resulting in a negative overall balance of £2,081m. However, the statutory arrangements for funding the deficit mean that the financial position of the OCC remains stable.

The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. With effect from 1<sup>st</sup> April 2017 the employer's contribution rate increased to 19.8% (18.7% for 2016/17) and is due to rise to 20.8% 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 £0.2m between March 2017 and March 2018.

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	
	2016/17	2017/18	2016/17	2017/18
	Years	Years	Years	Years
<b>Long term expected rate of return on assets in the scheme</b>				
<ul style="list-style-type: none"> <li>• Equity investments</li> <li>• Bonds</li> <li>• Other</li> </ul>				
<b>Mortality assumptions:</b>				
<b>Longevity at 65 (60 for police schemes) for current pensioners:</b>				
<ul style="list-style-type: none"> <li>• Men</li> <li>• Women</li> </ul>	22.1 24.3	22.1 24.3	28.4 30.9	27 29
<b>Longevity at 65 (60 for police schemes) for future pensioners:</b>				
<ul style="list-style-type: none"> <li>• Men</li> <li>• Women</li> </ul>	23.8 26.2	23.8 26.2	30.8 33.3	29 31

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

	Local Gov't Scheme		Police Schemes	
	2016/17	2017/18	2016/17	2017/18
<ul style="list-style-type: none"> <li>• rate of inflation (increase or decrease by 1%)</li> <li>• rate of increase in salaries (increase or decrease by 1%)</li> <li>• rate of increase in pensions (increase or decrease by 1%)</li> <li>• rate for discounting scheme liabilities (increase or decrease by 1%)</li> </ul>	3.20%	3.40%	2.30%	2.10%
	3.40%	3.40%	3.80%	3.60%
	2.40%	2.40%	2.30%	2.20%
	2.60%	2.70%	2.50%	2.60%

## Notes to the core financial statements

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

Local Government Pension Scheme assets comprised

2016/17 £000	Fair Value of Scheme Assets	2017/18 £000
12,045	Cash and cash equivalents	8,468
	<i>Equity instruments: by industry type</i>	
-	- Consumer	-
-	- Manufacturing	-
-	- Energy and utilities	-
-	- Financial institutions	-
-	- Health and care	-
-	- Information technology	-
4,872	Other	4,939
<b>4,872</b>	<b>Sub total equity</b>	<b>4,939</b>
	<i>Bonds: by sector</i>	
16,241	UK Government	16,989
2,067	Other	1,858
<b>18,308</b>	<b>Sub total bonds</b>	<b>18,847</b>
	<i>Property: by type</i>	
15,154	UK Property	17,882
-	Overseas Property	-
<b>15,154</b>	<b>Sub total property</b>	<b>17,882</b>
	<i>Private equity</i>	
7,121	All	7,239
<b>7,121</b>	<b>Sub total private equity</b>	<b>7,239</b>
	<i>Other investment funds</i>	
90,327	Equities	95,892
16,911	Bonds	23,367
6,332	Hedge Funds	7,096
4,443	Commodities	4,769
8,442	Infrastructure	9,628
4,725	Other	6,023
<b>131,180</b>	<b>Sub total other investment funds</b>	<b>146,775</b>
	<i>Derivatives</i>	
<b>(87)</b>	Forward foreign exchange contracts	(593)
<b>188,593</b>	<b>Total assets</b>	<b>203,557</b>

### 15. Accumulated absences account

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



## Notes to the core financial statements

During 2017/18 Police Officer rest days in lieu increased from £1,329k to £1,499k. This increase is due to Officers continuing to take annual leave and time off in lieu, but due to operational priorities Officers have been called on to duty with less than 15 days' notice which has resulted in additional rest days in lieu being accrued.

The accrual for Police Staff annual leave increased from £479k to £568k. This was mainly due to an increase of 33 full time establishment posts compared with 2016/17. Time off in lieu also increased from £165k to 268k as well as rest days in lieu which increased from 154k to 213k.

2016/17 £000		2017/18 £000
(3,443)	<b>Balance at 1<sup>st</sup> April</b>	<b>(3,737)</b>
3,443 (3,737)	Reversal of opening accrual made at the end of the preceding year Amounts accrued at the end of the current year	3,737 (4,201)
(294)	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	<b>(464)</b>
<b>(3,737)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(4,201)</b>

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

### 16. Cash flow statement – operating activities

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

2016/17 OCC £000		Note	2017/18 OCC £000
-	Increase/(decrease) in impairment bad debts		-
558	Increase/(decrease) in creditors/RIA		(15)
(558)	Increase/(decrease) in debtors/PIA		15
-	Increase/(decrease) in inventories		-
(44,926)	Movement in pension liability		(58,575)
-	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		-
(294)	Other non-cash items charged to the net surplus or deficit on the provision of services		(464)
<b>(45,220)</b>			<b>(59,039)</b>

### 17. Events after the balance sheet date

Events after the balance sheet date have been considered for inclusion in the accounts up to the authorised for issue date 24<sup>th</sup> July 2018. No adjusting events have taken place to date.

### **18. Contingent liabilities**

The Chief Constable of Leicestershire, along with other Chief Constables and the Home Office, currently has 130 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 and in 2016/17 these claims were heard in the Employment Tribunal. In 2017/18 the Judiciary and Firefighter Claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact. Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

Following successful claims in *Allard v Devon and Cornwall Police* for unpaid overtime following recalls to duty, in excess of 1500 claims have been made nationally. As of the 27th April, it is intended that they be co-ordinated through one County Court and that test cases are litigated to establish principles of remuneration. All other cases will be stayed pending the outcome of the test cases. The total cost of the claims will be dependent upon the principles established in the test cases, but a number go back over a six year period. There is no insurance indemnity for these claims

### **19. Critical judgements in applying accounting policies**

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

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

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

The PCC / CC for Leicestershire is involved in various joint arrangements with other Forces in the East Midlands which are detailed in Note 5. These arrangements are judged to be jointly controlled operations due to the joint management and decision making structure of the agreement. Leicestershire's OCC's share of transactions and balances are consolidated into the financial statements in accordance with the CIPFA Code of Practice.

### **20. Assumptions made about the future and other major sources of estimation uncertainty**

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

Some of the key areas that could be affected are covered within the OPCC/Group statement of accounts (note 39) and the OCC could potentially be affected by those sensitivities or movements via either the intra-group transfer from the OPCC or those costs directly charged to the OCC.

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

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

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

#### Credit risk

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

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

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

Customer credit risk has a very low overall effect on the OPCC/Group by virtue of income from customers being equal to only 4.36% of total income (2016/17 – 3.95%). The risk is managed via the OPCC/Group's credit control policy. This policy sets out the framework within which financial relationships with the OPCC/Group's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Chief Finance Officer for the OCC may authorise the write-off of unrecoverable amounts up to £10k. Amounts above £10k require the authorisation of the Chief Finance Officer for the OPCC.

To further mitigate the risk of customer credit default, the OPCC/Group makes a bad debt impairment each year. The impairment is equal to 0.02% of the total debtors value (2016/17 - 0.05 %). Further information concerning this impairment can be seen in Note 16 of the Group Accounts.

#### Liquidity risk

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

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

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

All standard creditors are due to be paid within one year – further information can be found in Note 10 – Creditors.

## Market risk

### *Interest rate risk*

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

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

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

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

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

### *Price risk*

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

### *Foreign exchange risk*

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

## **22. Accounting policies used by the Office of the Chief Constable for Leicestershire**

### **A1 General principles**

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

The Statement of Accounts summarises the OCC transactions for the 2017/18 financial year and its position at the year-end of 31<sup>st</sup> March 2018. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* (the Code) published annually by CIPFA, supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

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

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

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

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

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

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

### **A4 Exceptional items**

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

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

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

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

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

### **A6 Financial instruments**

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

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

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

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

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

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

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

#### **Contingent Liabilities**

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

### **A8 Revenue Recognition / Income**

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

### **A9 Employee benefits**

#### **Benefits payable during employment**

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

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

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

The accrual is charged to the Comprehensive Income & Expenditure Statement (within the surplus/deficit on the provision of services) and reversed out through the Movement in Reserves Statement. On the balance  
The Office of the Chief Constable for Leicestershire

sheet, the accrual is shown in the creditors section (representing the fact that the employee benefits are due to be realised within the following twelve-month period) with a corresponding entry in the accumulated absences account in the lower half of the balance sheet.

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

### **Termination benefits**

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

### **Post-employment benefits**

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

#### **a) Police officers**

The Police Pension Scheme (PPS) for police officers is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pension fund for the year are less than amounts payable, the OPCC/Group must annually transfer an amount required to meet the deficit to the pension fund. If however the pension fund is in surplus for the year, the surplus 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 Comprehensive Income and Expenditure Statement.

#### **b) Police staff**

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

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

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

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

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

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

- Current Service Cost – the increase in liabilities as a result of one additional year of service earned this year – allocated the Comprehensive Income and Expenditure Statement

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

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

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

### **Discretionary benefits**

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

### **A10 Jointly controlled operations**

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

Adjustments have been made to the Comprehensive Income & Expenditure Statement to reflect the OCC's share of each jointly controlled operation's transactions during the year. Further details are shown in Note 5.

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

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

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

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



### ***A12 Overheads and Support Services***

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

### ***A13 Reserves***

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

### ***A14 VAT***

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

## Introduction

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

The fund receives income each year from:

- Employer's contributions from the OCC based on a percentage of pay
- Additional Funding from the OPCC (received from the Home Office)
- Contributions from serving police officers
- Other receipts

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

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

2016/17 £000		2017/18 £000
(13,677)	<b>Contributions receivable:</b>	
(703)	<b>OPCC</b>	
-	■ employer's contributions	(13,569)
(8,764)	■ early retirements	(1,157)
	■ Reimbursement of unabated pension of '30+' officers	-
(23,144)	■ officers' contributions	(8,662)
		(23,388)
(181)	<b>Transfers in from other pension schemes</b>	(277)
	<b>Benefits payable:</b>	
40,672	■ pensions	42,144
7,822	■ commutations and lump sum retirement benefits	8,262
813	■ ill-health commutations and lump sum retirement benefits	1,314
109	■ lump sum death benefits	181
49,416		51,901
	<b>Payments to and on account of leavers:</b>	
10	■ refund of contributions	5
164	■ transfers out to other police Forces	-
174		5
<b>26,265</b>	<b>Net amount payable for the year</b>	<b>28,241</b>
<b>(26,265)</b>	<b>Additional funding Receivable from the Police Fund</b>	<b>(28,241)</b>

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

31st March 2017 £000		31st March 2018 £000
5,620	<b>Current assets</b>	
	Contributions due from the OPCC/Group	6,095
-	<b>Current liabilities</b>	
	Unpaid pensions benefits	-
<b>5,620</b>		<b>6,095</b>

### Notes

#### Note 1

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

#### Note 2

Details regarding the accounting policies are detailed within note 22 A9, notes to the core financial statements.

#### Note 3

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

Details of the OCC's long-term pension obligations can be found in the notes to the OCC's core financial statements at note 14

#### Note 4

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

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

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

## 1) Scope of Responsibility

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

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

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

The CC has adopted the Corporate Governance Framework approved by the PCC, which is consistent with the principals of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Framework can be obtained from the Office of the Police and Crime Commissioner (OPCC), Leicestershire Police Headquarters, St Johns, Enderby, Leicester, LE19 2BX or on our website at [www.leics.pcc.police.uk](http://www.leics.pcc.police.uk).

This statement explains how the CC has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

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

## 2) The Purpose of the Governance Framework

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

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

The Corporate Governance Framework in place for 2017/18 is currently under review to consider the opportunity to improve and develop it further.

## 3) The Governance Framework

The CC has continued to ensure that appropriate management and reporting arrangements are in place to enable him to satisfy himself that his approach to corporate governance is both adequate and effective and supports the OPCC. These include:

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

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

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

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

### Chief Finance Officer

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

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

The Chief Financial Officer in a public service organisation:

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

#### 4) Review of Effectiveness

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

The OPCC and OCC continued to invest in an Internal Audit programme in 2017/18 which provided assurance under the new arrangements for two corporation soles. The following specific local audits were undertaken:

- Audit Committee (JARAP) effectiveness
- Workforce planning
- Business Continuity
- Commissioning
- Health and Safety
- Risk Management
- Estates Management
- Core Financial Systems
- Payroll
- Payroll project
- Seized and found property
- Payroll provider
- Counter fraud

During 2017-18, the following collaborative audits were carried out

- EMCHRS Learning and Development
- EMSOU forensic services
- EMCHRS Occupational Health
- East Midlands Criminal Justice Service
- Proceeds of Crime Act

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 2017 to 31 March 2018 and will be reported to and considered by the JARAP in June 2018.

The internal audit opinion for 2017/18 was as follows:

*“From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31 March 2018, we can provide the following opinions”:*



**ASSURANCE -  
CHIEF CONSTABLE**

**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. We have, however, identified weaknesses in respect of Health & Safety and Seized & Found Property.**

The basis of Mazar’s opinion was as follows:

*Internal Audit applies a risk-based approach and our audits assess the governance framework, the risk management process, as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. 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**

*Whilst no specific audit of Governance was carried out during 2017-18, we have carried out a number of audits where governance arrangements were a key aspect. In addition, during 2017-18 we undertook a review of the effectiveness of the **Joint Audit, Risk & Assurance Panel (JARAP)**. The audit used the five good practice principles set out in the National Audit Offices (NAO’s) good practice guide ‘The Audit Committee Self-Assessment Checklist, 2012’, covering the role of the audit committee; membership, independence, objectivity and understanding; skills; scope of work; and communications. We engaged with the Chair and other members of the JARAP during the review, with the aim being to identify areas where arrangements could be strengthened. As part of the review we utilised CIPFA’s self-assessment tool which provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement: Audit Committees in Local Authorities and Police. JARAP members were required to independently complete the self-assessment and then a session was held with members to analyse further their responses.*

*Through our delivery of the internal audit plan, our review of the JARAP’s effectiveness and attendance at 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 31<sup>st</sup> March 2018.*

### **Risk Management**

*As part of the 2017-8 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; programme assurance; reporting arrangements and follow up of previous recommendations. We provided a satisfactory assurance opinion and concluded that there is a basically sound system of internal control, although we highlighted some areas where improvements to the control environment could be made. Overall risk management within the Force and OPCC is deemed effective and controls processes tested were being consistently applied.*

*Additionally, during the course of delivering the 2017-18 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 generally sound control environment, although we have noted areas where improvements are required. During the 2017-18 year, eleven (85%) internal audits were rated either 'significant' or 'satisfactory', whilst two (15%) internal audits were given 'limited assurance'. In addition, of the four collaborative audits covering the East Midlands policing region, all were rated at least 'satisfactory assurance'.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2017-18, split between those specific to Leicestershire and those undertaken as part of East Midland's regional collaborative audits.

Assurance Gradings	2017-18	
Significant	7	54%
Satisfactory	4	31%
Limited	2	15%
Nil	0	0%
<b>Sub-Total</b>	<b>13</b>	
No opinion	3	
<b>Total</b>	<b>16</b>	

## Collaboration Audits

Assurance Gradings	2017-18	
Significant	2	50%
Satisfactory	2	50%
Limited	0	0%
Nil	0	0%
<b>Total</b>	<b>4</b>	

External audit (Ernst & Young LLP) issued their Annual Audit Letter for 2016/17 in October 2017. This letter built on the report to those charged with governance considered by the JARAP on 14 September 2017. 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 2017 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;

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- *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 14 September 2017;*
- *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 14 September 2017."*

The JARAP met four times in public during the year. The JARAP undertook a detailed work plan which included considering the work of internal and external audit, tracking of Internal Audit recommendations, risks and risk management and specific themes. In addition, the JARAP approved an annual workplan, for 2018, reviewed their terms of reference, produced an annual report of their work and will be producing an annual report for 2017-18.

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.

Mr Luke Pulford became chairman of the JARAP from November 2017 following the previous chairman stepping down at the end of his first term in the role. Two new members were also recruited as JARAP members and commenced in their role with effect from 01 November 2017. In April 2018 an induction day was held for new and existing members and included presentations on a range of topics as well as highlighting practical arrangements for members.

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). The audit was presented to the panel in September 2017 and found that the arrangements for the committee were generally sound.

### **5) Significant Governance Issues**

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.

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

#### *Police and Crime Plan and Resources*

The Police Precept and Budget was agreed by the Police and Crime Panel on 31 January 2018. The report highlighted that whilst the budget was balanced for 2018-19 and 2019-20, through the use of reserves, thereafter a financial deficit started to emerge so that by 2022/23 there was estimated to be a deficit of £9.0m on a £193.5m budget which represents a deficit of 4.7% on the total budget.

Work will continue to seek options to close this deficit over the lifetime of the financial plan.

#### *Seized and Found Property*

Whilst many improvements have been made in the area of Seized and Found Property the 2017/18 Internal Audit review only provided 'Limited Assurance'. The priority one recommendation related to ensuring that all property is identified, recorded and securely held.

The management response detailed all the improvements that had been made and the continued investment planned to strengthen arrangements in this area. Progress against all of the recommendations are routinely reported to the JARAP meeting and the internal audit plan for 2018-19 includes provision to consider this area again in order to assess what progress has been made.

## *Health and Safety*

'Limited Assurance' was given by Internal Audit on this audit. There was one priority one recommendation, eight priority two recommendations and three priority three recommendations.

The priority one recommendation centred on Health and Safety training. It recommended that the Risk Management Unit should support the Force and the OPCC with regards to a number of training requirements.

This recommendation was agreed by management and is in the process of being implemented. Progress against the recommendations is routinely reported to the JARAP meeting and the internal audit plan for 2018-19 includes provision to consider this area again to assess what progress has been made.

## *HMIC Inspections and Force Performance*

The 2017 police effectiveness, efficiency and legitimacy (PEEL) inspections delivered the following results:

- The extent to which the force is **effective** at keeping people safe and reducing crime is **good**.
- The extent to which the force is **efficient** at keeping people safe and reducing crime **requires improvement**
- The extent to which the force is **legitimate** at keeping people safe and reducing crime is **good**

The Force has a system to actively monitor the areas for improvement / recommendations made by HMIC and updates are regularly provided to the Executive Group.

Force management statements (FMSs) will be a new source of evidence for the PEEL inspection programme. A number of police forces have been involved in the development of FMS's, which will simplify, strengthen and streamline the information that forces are asked to provide. They will enable HMICFRSFRS to make decisions about which areas of a force's work present the greatest risk, and to design PEEL inspection fieldwork and analysis accordingly. This will mean more focused inspection fieldwork, and, in well-managed forces, less of it.

The force will be submitting its first Force Management Statement early in June 2018.

## *Collaborative arrangements*

In 2017/18 there were a number of tri-force arrangements in place, particularly in relation to Finance, HR and ICT. A decision was taken in the year to move away from this delivery model and these arrangements officially ended on 31 March 2018.

## *High priority strategic risks*

At the end of March 2018 the Strategic Risk Register highlighted three strategic risks that were judged to be high priority. They were:

- The failure to transition to the national Emergency Services Network (ESN)
- The management of the archive provision
- A failure to accurately record crime

All three of these risks are being managed through the Strategic Organisation Risk Board (SORB) and the JARAP.

### *Conclusion*

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



**Simon Cole**  
**Chief Constable**  
**16<sup>th</sup> July 2018**



**Paul Dawkins**  
**Chief Finance Officer**  
**13<sup>th</sup> July 2018**



## East Midlands Police Collaboration

Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

### **ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION 2017/18**

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 & Crime Commissioners and Chief Constables' (EMPCC/CC) 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.

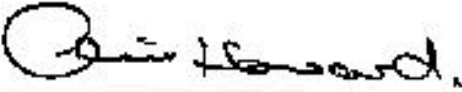
A budget is approved each year at the EMPCC/CC's Board which defines the expenditure targets for each area of policing within regional collaboration. Each force actively supports the budget allocation and sets its own precept accordingly.

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

**Signed**

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Date 30/04/18 .

**Chris Haward**  
**Deputy Chief Constable (East Midlands)**

## INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF LEICESTERSHIRE

### Opinion

We have audited the financial statements of the Chief Constable of Leicestershire for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Leicestershire as at 31 March 2018 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 2017/18.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Chief Constable for Leicestershire in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual financial report set out on pages 1 to 9 and 42 to 51, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

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We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in August 2017, we are satisfied that, in all significant respects, the Chief Constable for Leicestershire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### **Matters on which we report by exception**

We report if:

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

We have nothing to report in these respects

### **Responsibilities of the Chief Finance Officer**

As explained more fully in the Chief Constable's Responsibilities set out on page 9, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable either intends to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### ***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 August 2017, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

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

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

### Certificate

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

### Use of our report

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



NEIL A. HARRIS, ERNST AND YOUNG LLP

Neil Harris (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton  
27 July 2018

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

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



### **Accounting policies**

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

### **Accrual**

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

### **Actuarial gain/loss**

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

### **Actuarial Valuation**

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

### **Amortisation**

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

### **Budget**

A statement of the OCC's plans in financial terms. A budget is prepared and approved by the Police & Crime Commissioner prior to the start of each financial year.

### **Capital expenditure**

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

### **Capital financing requirement**

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

### **Capital grant**

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

### **Capital receipts**

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

### **CIPFA**

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

### **Commuted lump sums**

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

### **Contingent liabilities**

A contingent liability is either:

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

### **Corporate and democratic core**

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

### **Creditors**

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

### **Current service cost (Pensions)**

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

### **Debtors**

Sums of money due to the OPCC for work done or services supplied but not received at the end of the period.

### **Deferred liabilities**

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

### **Defined benefit scheme**

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

### **Depreciation**

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

### **Financial regulations**

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

### **Financial year**

The period of time commencing on the 1<sup>st</sup> April covered by the accounts.

### **Formula spending share**

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

### **Impairment**

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

### **Investment property**

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

### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

### **Leasing**

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

- finance leases which transfer all of the risks and rewards of ownership of a non-current asset to the lessee and such assets are included within the non-current assets in the balance sheet.

- operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the service revenue accounts.

### **Liquid resources**

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

### **Minimum revenue provision**

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

### **Net book value**

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

### **Non-current assets**

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

### **Non distributed costs**

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

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

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

### **Precept**

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

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

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

### **Receipts and payments**

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

### **Unusable reserves**

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

### **Usable reserves**

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