

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

Annual Financial Report

2018/19

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Narrative Report by the Chief Finance Officer

These accounts set out the overall financial position of the Chief Constable (CC), who is responsible for the Leicestershire Police Service, for the year ended the 31st March 2019.

The accounts for 2018/19 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 2018/19 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 2018/19.

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 2018/19. 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 1st 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 2018/19 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 2018/19. This shows the unusable reserves held by the Chief Constable.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow statement

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

Notes to the core financial statements

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

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

The supplementary financial statements:

Pension fund account

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

Non-audited supplementary documents

Narrative Report

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

Statement of responsibilities

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

Annual governance statement

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

Overview of 2018/19

The 2018/19 grant settlement confirmed that funding for the Police would be maintained at £112.5m, with no change (flat cash) to the 2017/18 allocation.

The council tax referendum limit was also relaxed and PCCs were given the flexibility to raise local council tax by £12.00. The precept was increased by £12.00 (6.41%) to £199.23 for Band D property.

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

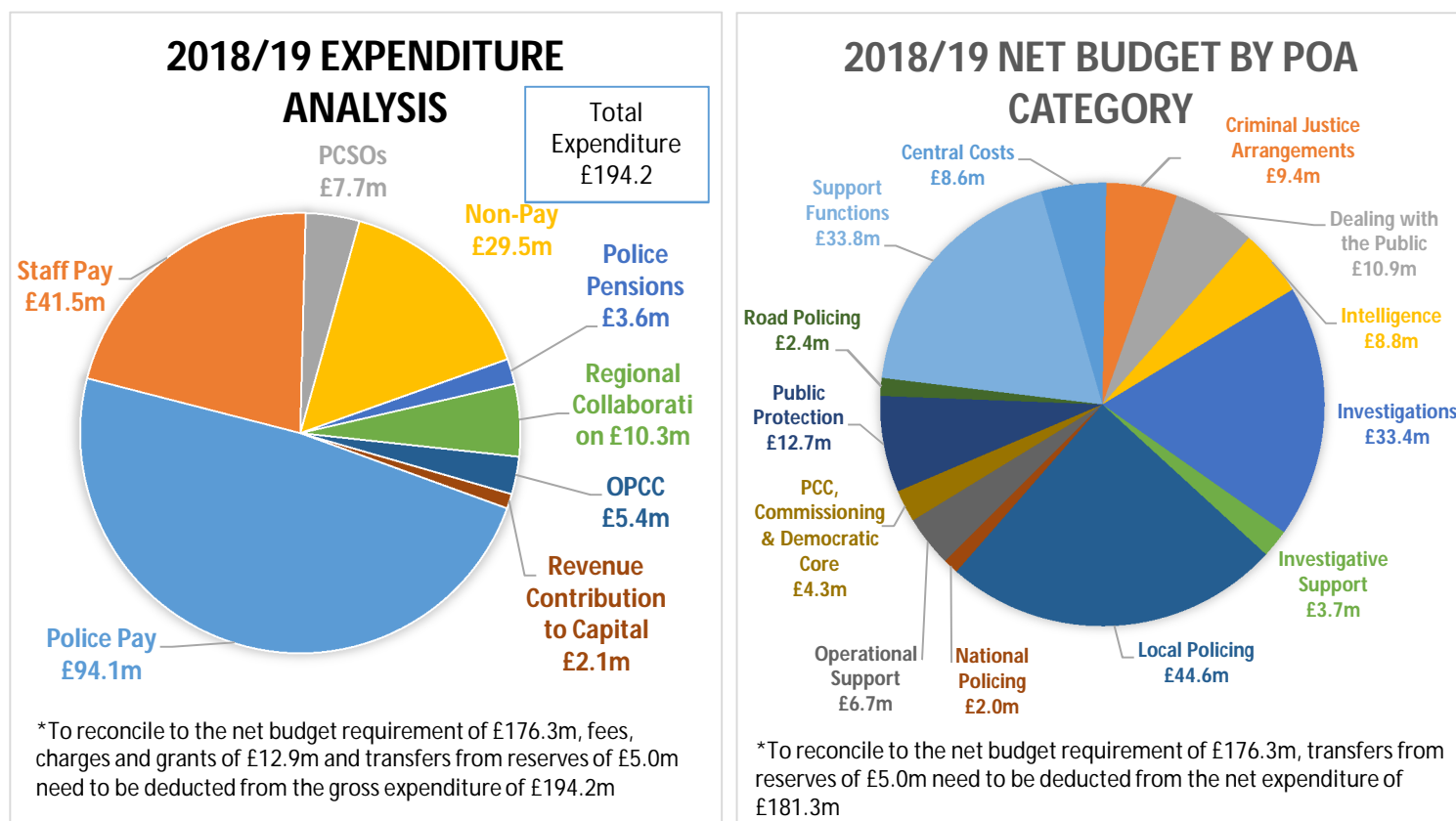
- Permanent growth in Neighbourhood Policing Areas of 24 full time equivalent posts. This equates to three additional Police Constables for each Neighbourhood Policing Area to address emerging issues relating to modern slavery, cyber-crime and fraud.
- Four additional Police Staff investigator posts 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.
- 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.

Whilst the PCC welcomed the flexibility around the precept increase and used the additional funding to invest in priorities above the flat cash settlement resulted in a funding shortfall for 2018/19 which has been met from reserves.

The OPCC sets the annual budget for the OCC in consultation with the CC. A net annual revenue budget of £176.3m was set for the service as a whole, an increase of 2.7% over 2017/18. £172.5m was managed by the CC with the remaining £3.8m (net of grants and transfers from reserves) relating to the costs of the OPCC (£1.1m) and commissioning activities (£2.7m).

Narrative Report by the Chief Finance Officer

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



Performance against budget

The Office of the Chief Constable for Leicestershire underspent its 2018/19 budget by £9k. This was attributable to:

- An underspend on police pay and allowances of £1.418m due the number of officers in post being below the budgeted establishment throughout the year due to higher attrition rates and additional seconded officers income.
- An overspend on corporate budgets of £0.248m due to Force priorities/pressures, increased legal costs offset by additional income received and savings on capital pension costs due to fewer ill-health retirements than expected.
- An underspend of £0.268m on policing functions provided regionally.
- A net overspend of £0.780m in the delegated budgets as a result of a number of major investigations throughout the year, additional overtime costs incurred due to demand and officer vacancies offset by police staff salary savings (particularly in CJ) and higher than anticipated income for seized vehicles.
- £0.649k of business cases approved to undertake specific projects during 2019/20.

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

Operational Performance

The PCC's primary role is to hold the 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 to the year ending December 2018 shows no significant change in the rate of crime there has been a rise of 10% in the actual crime reported to the Force.

Narrative Report by the Chief Finance Officer

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 2018 the Force had over 20,000 such incidents reported to it representing 56 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.

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 over 150,000 'grade one' emergency 999 calls. This is an increase of 8.4% on 2017/2018 figures.

In the last year we have moved to a single on line home (SOLH) reporting facility. This enables and streamlines the process of reporting crimes or incidents online. This has led to an estimated 4% of calls shifting from the traditional phone contact to digital reporting.

This has led to a decrease in the volume of non-emergency 101 calls. However we still dealt with over 380,000 of these calls. 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 65 children and adults to partner agencies because of safeguarding concerns.

Our national award winning Digital Hub means that we are turning around computer examinations in on average 35 days, rather than the 540 days of a few years ago.

Our Integrated Offender Managers now manages 420 of the most prolific offenders, seeing a reduction of their collective offending by 24%.

Our online investigators coordinated 163 enforcements against paedophiles, leading to 86 offenders being brought to justice.

The Force also support partners in helping those at risk of being radicalised through our safeguarding and prevent referrals.

The Force has looked hard at how we deal with reports of missing people. On a typical day we deal with 11 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 2018/19 the Force was subject to an integrated PEEL (Police Effectiveness Efficiency and Legitimacy) assessment by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). The detailed report can be viewed on the HMICFRS website.

The overall judgements were:

- How effectively does the force reduce crime and keep people safe? **GOOD**

Narrative Report by the Chief Finance Officer

- How efficient is the force at keeping people safe and reducing crime? **GOOD (previously '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 reducing crime and keeping people safe.

In 2016, we judged the force to be good at preventing crime and tackling anti-social behaviour.

The force is good at investigating crime. Investigations are handled by appropriately-trained staff, and the case files we saw were of a high standard. There is a new crime bureau for cases with few lines of investigation, which has taken pressure off other investigators. The force offers a good service to victims and prioritises their needs.

Leicestershire Police is also good at protecting vulnerable people. It has strong relationships with other organisations working with those in need and a well-established training programme. The force is currently dealing with more crimes, and receiving more referrals linked to vulnerability, than it ever has before, but it is taking measures to deal with this demand.

In 2017, we judged the force to be good at tackling serious and organised crime.

Efficiency

Leicestershire Police is good in the efficient way it operates and provides sustainable services to the public.

Senior leaders understand demand, and the force has improved its knowledge of previously under-reported crimes, such as modern slavery and human trafficking. It has also improved how it allocates incidents to neighbourhood teams.

A major re-organisation in 2017 improved the force's efficiency. The force has also invested in technology to improve its efficiency.

It does not, however, have a comprehensive understanding of the skills and capabilities of all its workforce.

The force plans well for the future. The ambitious BluePrint 2025 change programme aims to increase efficiency.

The work of new specialist teams will continue to improve the force's understanding of hidden crime. It plans to invest in mobile technology, and increase the presence of officers in neighbourhoods.

However, the force has made little improvement in developing and managing talent in its workforce.

Legitimacy

Leicestershire Police is good in the way it treats the public and its workforce.

In 2017, we judged the force to be good at treating the public fairly.

Leicestershire Police has a positive ethical culture. The workforce knows how to challenge unethical conduct.

The force has made good progress in improving its vetting procedures. It is good at tackling corruption, and it works with specialists from other organisations to look for signs of officers or staff abusing their positions for a sexual purpose.

In 2017, we judged the force to be good at treating its workforce fairly

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.

£10.3m was spent on improving the estate, investing in information technology and the vehicle fleet. The 'Estates' projects undertaken include the building of a new 'property store' to provide a fit for purpose facility (due for completion during summer 2019), a replacement neighbourhood office for Hinckley Road, providing a smaller efficient building and refurbishments in the contact management centre and training facility.

The IT investments include:

- significant investment in the data infrastructure and storage to support new services such as voice, Wi-Fi and agile remote access etc
- an upgrade to the current mapping software (IR3)
- completion of the PC replacement programme with agile equipment to support new ways of working
- implementation of 'middleware' to support agile working
- the roll out of the single telephony platform and video conferencing
- completion of the contact centre telephony project to exploit new methods of contact eg web chat, social media and email
- upgrades to the Integrated Command & Control System to support the roll out of the Emergency Services Network programme
- preparatory work in relation to the National Enabling Programmes Office 365

During 2018/19 the Hinckley Police Station was disposed of as part of the Force's overall estates strategy and replaced with a neighbourhood office to serve the local area.

Retirement Benefits

Accounting for Retirement Benefits in the 2018/19 Statement of Accounts has resulted in a pension liability of £2,283m compared to £2,077m in 2017/18. The increase in the liability is due to the actuarial losses arising from changes in the financial assumptions and accounting for the potential impact of:

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

A reduction in the discount rate (based on corporate bond yields) during the year, and an increase in the CPI inflation assumption has the combined effect of increasing the liability. More detail regarding the McCloud and GMP issues is provided in note 27.

The police officer pension scheme liability is £2,152m 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 2019/20

The December 2018 grant settlement announced that Leicestershire's core funding for 2019/20 would increase by £2.2m to £114.7m. In addition, a specific grant of £1.9m has been allocated to part fund the increase in employer's pension costs. However, the allocation for 2019/20 is subject to demonstrating progress in delivering ministerial priorities around efficiency and productivity reform.

Narrative Report by the Chief Finance Officer

Lord Bach also acknowledged the assumption contained within the settlement that the precept could increase locally by £24.00 in 2019/20, to ensure that police spending is protected and make further significant investments in policing services.

The Commissioner also decided that he would begin to utilise some of the cash reserves (£1.4m) that he holds in order to increase policing services across the area. The use of these reserves alongside the increase in the precept allow for the following significant investments identified by the Chief Constable to meet threat, risk and harm:

- 107 local police officers, of which it is expected that 80 will be recruited in the 2019/20 financial year, with the remaining 27 in 2020/21.
 - **60** will be patrol officers based in the eight neighbourhood police areas
 - **24** new detectives will be based in the neighbourhood police areas
 - **Eight** new beat officers will be placed in the proactive teams dealing with current and emerging issues in each of the neighbourhood areas
 - **Eight** new officers will tackle emerging crime on a proactive basis
 - **Seven** new officers will focus on the crime that impacts upon the most vulnerable in our communities
- Proposals to reduce abstractions of frontline police officers and increase the amount of time they spend on the beat
- Investment in technology to tackle crime
- Ongoing investment to support Volunteers in Policing
- Measures to speed up recruitment to the new posts
- Improving the quality of crime recording

Against this background, the PCC set 2019/20 net revenue and capital budgets of £187.1m (after the use of reserves) and £9.9m respectively. A precept of £223.23 for a Band D property was set for the year, an increase of £24.00 (12.05%) over 2018/19.

Lord Bach recognises that there are further financial challenges facing the Police over the next five years. However, through the prudent use of reserves the Medium Term Financial Plan at the time of setting the budget and precept in January 2019, shows a balanced position up until 2023/24.

The 2018/19 budget report set out the need to devise a new Target Operating Model (TOM) to meet current and future challenges. This work has progressed well throughout the year and a new target operating model is well advanced. The PCC continues to support the Force with this work.

Organisational Risks

When the budget for 2019-20 was set a number of risks were highlighted in relation to the following that could impact upon the budget plans:

- Police Staff job evaluation
- Pay inflation
- The Emergency Services network
- Regional collaboration
- Microsoft Office 365
- The National Police Air Service (NPAS)
-

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

Narrative Report by the Chief Finance Officer

<https://www.leics.pcc.police.uk/Planning-and-Money/Finance/Budget-Information/Budget-2019-2020.aspx>

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

- Evolving digital sophistication
- The maintenance of workforce well-being
- Meeting increased demand
- The job evaluation scheme
- Failure to accurately record crime

A further risk that should be highlighted relates to the Independent Inquiry into Child Sex Abuse (IICSA). This is a public enquiry that could have significant cost implications. A further note on this particular issue is included under the Note 37 – Contingent Liabilities.



Ruth Gilbert
Deputy Chief Finance Officer
31st July 2019

The Chief Constable's responsibilities

The CC is required to:

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

Chief Constable's approval

The Statement of Accounts for the year to 31st March 2019 has been prepared and was considered at the Joint Audit, Risk Assurance Panel (JARAP) on 24th July 2019 who delegated authority to their chairman for final sign off as set out in the report to the panel.

The Chief Finance Officer's responsibilities

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

In preparing this Statement of Accounts the CFO has:

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

The CFO has also:

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

Chief Finance Officer's certification

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Office of the Chief Constable for Leicestershire at the reporting date and of its income and expenditure for the year ended 31st March 2019.



Ruth Gilbert
Deputy Chief Finance Officer
31st July 2019

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.

2017/18				2018/19			
Gross expenditure £000	Gross income £000	Net expenditure £000		Note	Gross expenditure £000	Gross income £000	Net expenditure £000
222,220	(18,776)	203,444	Policing Services		214,188	(19,749)	194,439
89	-	89	Corporate & Democratic Core		84	-	84
2	-	2	Non-Distributed Costs	14	114,348	-	114,348
222,311	(18,776)	203,535	Cost of services	2	328,620	(19,749)	308,871
-	(199,645)	(199,645)	Other operating expenditure		-	(202,701)	(202,701)
55,149	-	55,149	Financing and investment income & expenditure	3	53,581	-	53,581
277,460	(218,421)	59,039	(Surplus) or deficit on provision of services		382,201	(222,450)	159,751
		(202,854)	Actuarial (gains) / losses on pension assets/liabilities	13			45,500
		(202,854)	Other comprehensive income & expenditure				45,500
		(143,815)	Total comprehensive income & expenditure				205,251

Balance Sheet

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

31st March 2018 £000		Note	31st March 2019 £000
40	Non-current assets Long term debtors	9	29
40	Total long term assets		29
331	Current assets Short term debtors	9	101
2,876	Inter – Group Debtor		3,145
3,207			3,246
(7,448)	Current liabilities Short term creditors	10	(6,893)
-	Inter – Group Creditor		-
(7,448)			(6,893)
(4,241)	Net current assets		(3,647)
(2,076,727)	Long term liabilities Liability related to defined benefit pension schemes	14	(2,282,561)
(2,076,727)			(2,282,561)
(2,080,928)	Net assets / (liabilities)		(2,286,179)
2,080,928	Unusable reserves	12	2,286,179
2,080,928	Total reserves		2,286,179

Re-certification

The financial statements on pages 1 to 58 were authorised for issue on the 31st July 2019.

R. G. Gilbert

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.

2018/19	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000
Balance at 31 March 2018	-	-	2,080,928	2,080,928
Movement in reserves during 2018/19				
Surplus or deficit on the provision of services	159,751	159,751	-	159,751
Other Comprehensive Income and Expenditure		-	45,500	45,500
Total Comprehensive Income and Expenditure	159,751	159,751	45,500	205,251
Adjustments between accounting basis and funding basis under regulations	(159,751)	(159,751)	159,751	-
Net Increase or Decrease before Transfers to Earmarked Reserves	-	-	205,251	205,251
Transfers to/from Earmarked Reserves	-	-	-	-
Increase or Decrease in 2018/19	-	-	205,251	205,251
Balance at 31 March 2019	-	-	2,286,179	2,286,179

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

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.

2017/18 £000		Note	2018/19 £000
59,039	Net (surplus) or deficit on the provision of services		159,751
(59,039)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	16.1	(159,751)
-	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		-
-	Net cash flows from operating activities		-
-	Investing activities		-
-	Financing activities		-
-	Net (increase) or decrease in cash and cash equivalents		-
-	Cash and cash equivalents at the beginning of the reporting period		-

1. Adjustments between accounting basis and funding basis under regulations

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

2018/19	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(160,334)	160,334
Holiday pay (transferred to the Accumulated Absences reserve)	583	(583)
Total Adjustments	(159,751)	159,751

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

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.

2017/18			CC	2018/19		
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
168,369	35,075	203,444	Policing Services	173,657	20,782	194,439
89	-	89	Corporate & Democratic Core	84	-	84
-	-	-	Commissioning	-	-	-
-	2	2	Non-Distributed Costs	-	114,348	114,348
168,458	35,077	203,535	Net Cost of Services	173,741	135,130	308,871
(168,458)	23,962	(144,496)	Other Income and Expenditure	(173,741)	24,621	(149,120)
-	59,039	59,039	Surplus or Deficit on Provision of Services	-	159,751	159,751
			Opening Combined General Fund Balance			
-			Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	-		
-			Closing Combined General Fund Balance		-	

2.1 Note to Expenditure and Funding Analysis

	2018/19				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	(436)	23,668	(2,450)	-	20,782
Corporate & Democratic Core	-	-	-	-	-
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	114,348	-	-	114,348
Net Cost of Services	(436)	138,016	(2,450)	-	135,130
Other Income and Expenditure	436	22,318	1,867	-	24,621
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	-	160,334	(583)	-	159,751

Notes to the core financial statements

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

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.

2017/18 Outturn £000		Note	2018/19 Outturn £000
98,244	Police officer pay and allowances		97,457
51,290	Police staff pay and allowances		52,709
3,489	Police pensions		3,284
29,818	IAS 19 Current Cost Adjustment (pensions)	14	23,668
1,509	Other employees expenses		1,243
5,051	Premises		5,013
3,692	Transport		3,657
16,026	Supplies and services		17,347
6,371	Agency and contracted services		4,940
215,490	Total Expenses		209,318

2017/18 £000	Grant Income	2018/19 £000
	Credited to services:	
(2,354)	Dedicated security grant	(2,484)
(976)	Tri Force Collaboration	(104)
(487)	Special operations	(457)
(3)	Innovation Grant	-
(314)	Proceeds of Crime Act	(329)
(1,316)	JCOs (<i>EMSOU, FSS & EMOPSS</i>)	(938)
(273)	Others	(569)
(5,723)	Total	(4,881)

Notes to the core financial statements

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:

2017/18 Outturn £000		Note	2018/19 Outturn £000
55,149	Pensions net interest cost	14	53,581
55,149			53,532

4. Officers' remuneration

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

2018/19	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£	£	£	£
				Note 1	Note 2		
The Office of the CC							
Chief Constable		147,923		4,540	8,903	13,330	174,696
Deputy Chief Constable		122,031		3,376	5,027	25,993	156,427
Assistant Chief Constables:							
Senior Police Officer J (until 28/02/19)	4	111,792	5,630	3,138	-	13,382	133,942
Senior Police Officer L		102,557		3,376	5,027	18,449	129,409
Senior Police Officer N		104,860		3,376	5,027	18,449	131,712
Senior Police Officer O (Commenced 06/01/19)	5	23,776			1,189	4,400	29,365
Assistant Chief Officers:							
Finance & Resources	6	98,936		-	5,435	20,579	124,950
Human Resources	6						
		711,875	5,630	17,806	30,608	114,582	880,501

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

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

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

Note 4 – Senior Officer J was seconded to a national role up until their retirement on the 28th February 2019.

Note 5 – Senior Officer O (ACC rank) commenced as the Leicestershire ACC on the 6th January 2019 on an annualised salary of £100,509.

Note 6 – From the 1st April 2018 the Assistant Chief Officer (Finance & Resources) and Assistant Chief Officer (Human Resources) posts were shared between Leicestershire and Northamptonshire. The Assistant Chief Officer (Finance & Resources) post is employed by Leicestershire and the total salary costs associated with this post are included in the table above. The costs associated with the Assistant Chief Officer (Human Resources) post are reflected in the Northamptonshire accounts and Leicestershire contributes towards these costs.

Notes to the core financial statements

2017/18	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£	£	£	£
				Note 1	Note 2		
The Office of the CC							
Chief Constable		145,613	-	4,540	10,640	31,016	191,809
Deputy Chief Constable 1 (<i>until 04/03/18</i>)		116,924	-	2,991	5,036	23,722	148,673
Deputy Chief Constable 2 (<i>from 05/03/18</i>)		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 (<i>until 04/03/18</i>)	5	97,698	-	3,131	4,662	20,686	126,177
Senior Police Officer L (<i>from 08/01/18</i>)	6	22,808	-	780	1,162	4,216	28,966
Senior Police Officer N (<i>from 12/06/17</i>)	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 (<i>until 30/04/17</i>)	8	7,946	-	-	458	1,573	9,977
		684,773	2,961	17,820	30,862	140,155	876,571

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 5th June 2017 on an annualised salary of £110,148. From the 6th June 2017 Senior Officer J was seconded to a national role.

Note 5 – Senior Officer K held the post Leicestershire ACC until the 4th March 2018 on an annualised salary of £111,249. On the 5th 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 8th January 2018 on an annualised salary of £98,538.

Note 7 – Senior Officer N (ACC rank) commenced on the 12th 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 1st 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 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.

Notes to the core financial statements

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

Remuneration band £	2017/18	2018/19
	number of employees	number of employees
50,000 to 54,999	5	2
55,000 to 59,999	2	2
60,000 to 64,999	3	2
65,000 to 69,999	6	7
70,000 to 74,999	1	-
75,000 to 79,999	2	3
80,000 to 84,999	1	1
85,000 to 89,999	4	3
90,000 to 94,999	-	1
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, Regional Collaboration Team and Emergency Services Network Collaboration, six of the police staff employees and one police officer included in the table above work in the regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.

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 £	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	1	2	2	2	3	4	23,587	33,949
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	1	-	-	-	1	-	88,778
£100,001 - £150,000	-	-	-	1	-	1	-	120,618
total	1	3	2	3	3	6	23,587	243,345

The CC terminated the contracts of a number of employees in 2018/19, incurring liabilities of £243k (£24k in 2017/18). The £243k is payable to staff from a number of departments as part of the ongoing savings strategy. Leicestershire Police is the lead employer for a number of regional teams. Two of the Police Staff employees included in the table above worked as part of one of these teams and Leicestershire has therefore only met its share of the £209k with the remainder being funded by the other regional Forces.

5. Jointly Controlled Operations

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

East Midlands (EM) Jointly Controlled Operations

Jointly Controlled Operation	Member Forces	Ownership %	Lead Force
EM Special Operations Unit <i>(inc Technical Support Unit)</i>	All 5 Forces	22.90 %	Leicestershire
EM Major Crime	All 5 Forces	22.90 %	Leicestershire
EM Forensics	All 5 Forces	22.90 %	Derbyshire
EM Criminal Justice	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.30 %	Lincolnshire
EM Operational Support Service	Leicestershire, Northamptonshire and Lincolnshire <i>(From the 1st May 2018)</i>	44.90 %	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

2017/18 £000		2018/19 £000
2,062	Police pay & allowances	1,145
4,922	Police Staff pay & allowances	4,619
598	Other employees expenses	198
116	Premises	132
699	Transport	209
1,374	Supplies & services	955
32	Agency & contracted services	40
(1,316)	Income from Government Grants	(938)
(407)	Income from Fees & charges	(214)
(8,518)	Funding provided to the pooled budget	(6,358)
-	Revenue Expenditure Funded from Capital Resources	-
279	Depreciation & Amortisation	299
(19)	(Surplus / Deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	263
(178)	Cost of Services	350
1	Gains / Losses on disposal of non-current assets	(3)
(341)	Capital Grants & Contributions	(72)
(518)	(Surplus) / Deficit on Provision of Services	275
12	(Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)	1
(506)	Total Comprehensive Income & Expenditure	276

6. Related parties

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

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

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

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

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

7. External audit costs

In 2018/19 the OCC incurred the following fees relating to external audit.

2017/18 £000	Costs	2018/19 £000
13	External audit services	12
13	Total	12

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 nine car loans to employees were outstanding (2017/18 – thirteen). 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 2018 £000		31st March 2019 £000
	Short-term debtors	
44	Central government bodies	34
11	Local authorities	24
276	Other Entities & Individuals	43
331		101

10. Creditors

31st March 2018 £000		31st March 2019 £000
	Short-term creditors	
(3,247)	Central government bodies	(3,275)
(4,201)	Other Entities & Individuals	(3,618)
(7,448)		(6,893)

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 2018 £000		Note	31st March 2019 £000
2,076,727	Pension reserve	13	2,282,561
4,201	Accumulated absences account	15	3,618
2,080,928	Total unusable reserves		2,286,179

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.

2017/18 £000		Note	2018/19 £000
2,221,006	Balance at 1st April		2,076,727
(202,854)	Actuarial gains or losses on pensions assets and liabilities		45,500
85,193	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	187,947
(26,618)	Employer's pensions contributions and direct payments to pensioners payable in the year	1	(27,613)
2,076,727	Balance at 31st March		2,282,561

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.

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

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

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

Three schemes were in operation during 2018/19 as well as injury awards:

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

Transactions relating to post-employment benefits

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

Notes to the core financial statements

	Local Government Pension Scheme		Police Pension Schemes		Comprehensive Income & Expenditure Account	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000	£000	£000
Cost of services:						
Current service cost	15,290	15,898	41,146	35,383	56,436	51,281
Past service cost	2	3,746		110,602	2	114,348
(Gain) / loss from settlements		-		-	-	-
	15,292	19,644	41,146	145,985	56,438	165,629
Other Operating Expenditure:						
Funding from OPCC	-	-	(26,394)	(31,263)	(26,394)	(31,263)
Financing & investment income/expenditure:						
Net Interest cost	2,472	2,617	52,677	50,964	55,149	53,581
Net charge to surplus / deficit on provision of services	17,764	22,261	67,429	165,686	85,193	187,947
Other comprehensive income & expenditure:						
Return on Plan Assets (excluding the amount included in the net interest expense)	(3,619)	(5,965)	-	-	(3,619)	(5,965)
Actuarial (gains)/losses on changes in demographic assumptions		-	(102,423)	-	(102,423)	-
Actuarial gains and losses arising on changes in financial assumptions	(6,117)	31,530	(90,702)	80,436	(96,819)	111,966
Other (if applicable)	7	(1)	-	(60,500)	7	(60,501)
Net charge to total comprehensive income & expenditure	8,035	47,825	(125,696)	185,622	(117,661)	233,447
Statement of Movement in Reserves:						
Reversal of items not permitted to be charged to the general fund by statute	(8,035)	(47,825)	125,696	(185,622)	117,661	(233,447)
Employer Contributions	7,743	8,963	18,875	18,650	26,618	27,613
Net charge to general fund	7,743	8,963	18,875	18,650	26,618	27,613
Retirement benefits payable to pensioners	n/a	n/a	n/a	n/a	n/a	n/a
Analysed as:						
Employers' contributions payable to schemes	7,743	8,963	14,725	14,398	22,468	23,361
Employers' contributions payable to schemes – Cash Top-Up	-	-	1,847	1,846	1,847	1,846
Direct payments - Injury awards payable	-	-	2,303	2,406	2,303	2,406
Total	7,743	8,963	18,875	18,650	26,618	27,613

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Present value of the defined benefit obligation	(295,254)	(353,051)	(1,985,030)	(2,152,002)	(2,280,284)	(2,505,053)
Fair value of plan assets	203,557	222,492	-	-	203,557	222,492
Sub total	(91,697)	(130,559)	(1,985,030)	(2,152,002)	(2,076,727)	(2,282,561)
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-
Net liability arising from defined benefit obligation	(91,697)	(130,559)	(1,985,030)	(2,152,002)	(2,076,727)	(2,282,561)

Notes to the core financial statements

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

	Local Government Pension Scheme		Police Pension Schemes	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Opening fair value of scheme assets	188,593	203,557	-	-
Interest Income	4,982	5,591	-	-
Remeasurement gain/(loss)	3,619	5,965	-	-
The return on plan assets; excluding the amount included in the net interest expense	-	-	-	-
Other (if applicable)	-	-	-	-
The effect of changes in foreign exchange rates	7,743	8,963	18,875	18,650
Contributions from employer	-	-	26,394	31,263
Employer Contributions (Top Up Grant)	2,531	2,713	8,662	8,623
Contributions from employees into the scheme	-	-	-	-
Benefits paid	(3,911)	(4,297)	(53,931)	(58,536)
Other (if applicable)	-	-	-	-
Closing fair value of scheme assets	203,557	224,492	-	-

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

	Local Government Pension Scheme		Police Pension Schemes	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Opening balance at 1 April	(279,998)	(295,254)	(2,129,601)	(1,985,030)
Current Service Cost	(15,290)	(15,898)	(41,146)	(35,383)
Interest Cost	(7,454)	(8,208)	(52,677)	(50,964)
Contributions from scheme participants	(2,531)	(2,713)	(8,662)	(8,623)
Remeasurement (gains) and losses	-	-	-	-
• Actuarial gains/losses arising from changes in demographic assumptions	-	-	102,423	-
• Actuarial gains/losses arising from changes in financial assumptions	6,117	(31,530)	90,702	(80,436)
• Other (if applicable)	(7)	1	-	60,500
Past service cost	(2)	(3,746)	-	(110,602)
Losses/(gains) on curtailment (where relevant)	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	3,911	4,297	53,931	58,536
Liabilities extinguished on settlements (where relevant)	-	-	-	-
Closing balance at 31 March	(295,254)	(353,051)	(1,985,030)	(2,152,002)

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

The liabilities show the underlying commitments that the OCC has in the long run to pay for retirement benefits. The total net liability of £2,283m has a substantial impact on the net worth of the OCC as recorded in the balance sheet, resulting in a negative overall balance of £2,286m. 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 1st April 2018 the employer's contribution rate increased to 20.8% (19.8% for 2017/18) and is due to rise to 21.8% in 2019/20.

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 31st March 2019 and will take place during 2019/20.

The deficit on the LGPS scheme has increased by £38.9m between March 2018 and March 2019 due to changes in the financial assumptions and accounting for past service costs.

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% was retained by government, by reducing the 'Top-Up' grant payable.

The results of the 2018/19 actuarial valuation on the police pension fund have been made available and from April 2019 the employers' contribution rate will increase to 31%.

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

'McCloud / Sargeant' Judgement

The Chief Constable of Leicestershire, along with other Chief Constables and the Home Office, currently has 107 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 December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including both Police Pension and Local Government Scheme members. This would lead to an increase in Pension Scheme liabilities.

Police Pension Scheme

When assessing the potential implications of McCloud on the IAS19 liabilities, the actuary has considered those members with benefits in the 2015 scheme who were former members of the 1987 and 2006 schemes. The actuary has calculated the additional liability arising had these members not ceased to accrue benefits in the 1987 and 2006 schemes on 1 April 2015 (or after this date if their start date in the 2015 Scheme was tapered) and had continued instead to accrue final salary benefits in the 1987 and 2006 Schemes. The actuary has also included the impact for those who retired after joining the 2015 Scheme. Whilst members who left the service over this period and took deferred benefits were considered the actuary concluded the effects are not material. Using these assumptions the actuary has estimated the potential increase in scheme liabilities for Leicestershire to be approximately 5.4% (excluding injury awards) or £103m of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost.

The actuary has commented that the additional costs emerging are sensitive to the underlying assumptions to roughly the same extent as the other figures calculated as part of the accounting process. Hence, even if the assumptions underlying the accounting calculations were different, the actuary would still expect the potential additional costs in relation to McCloud to be broadly similar in magnitude to those shown above.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

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

Local Government Pension Scheme

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. It is therefore likely that the McCloud / Sargeant judgement will also apply to the scheme.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Leicestershire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to The Chief Constable & OPCC is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 1.01% higher as at 31 March 2019, an increase of approximately £3.5m. This increase is reflected in the IAS19 Disclosure as a Past Service Cost.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

Guaranteed Minimum Pension (GMP)

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

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

The actuaries have carried out calculations in order to estimate the impact that the GMP indexation changes on the combined scheme liabilities for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimates received from the actuaries are that for the Police Pension scheme the additional liability is £7.6m (equal to 0.4% of the overall ISA19 liabilities) and for the LGPS approximately £0.1m. These increases are reflected in the IAS19 disclosures as past service costs, due to the materiality of the estimates.

Basis for Estimating Assets and Liabilities

	Local Gov't Scheme		Police Schemes	
	2017/18	2018/19	2017/18	2018/19
	Years	Years	Years	Years
Mortality assumptions:				
Longevity at 65 (60 for police schemes) for current pensioners:				
• Men	22.1	22.1	27	26
• Women	24.3	24.3	29	28
Longevity at 65 (60 for police schemes) for future pensioners:				
• Men	23.8	23.8	29	28
• Women	26.2	26.2	31	30

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

	Local Gov't Scheme		Police Schemes	
	2017/18	2018/19	2017/18	2018/19
• rate of inflation (increase or decrease by 1%)	3.40%	3.50%	2.10%	2.20%
• rate of increase in salaries (increase or decrease by 1%)	3.40%	3.50%	3.60%	3.70%
• rate of increase in pensions (increase or decrease by 1%)	2.40%	2.50%	2.20%	2.30%
• rate for discounting scheme liabilities (increase or decrease by 1%)	2.70%	2.40%	2.60%	2.50%

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

Local Government Pension Scheme assets comprised

2017/18 £000	Fair Value of Scheme Assets	2018/19 £000
8,468	Cash and cash equivalents	6,665
	<i>Equity instruments: by industry type</i>	
-	- Consumer	569
-	- Manufacturing	167
-	- Energy and utilities	468
-	- Financial institutions	706
-	- Health and care	168
-	- Information technology	187
4,939	Other	1,613
4,939	Sub total equity	3,878
	<i>Bonds: by sector</i>	
16,989	UK Government	18,838
1,858	Other	2,881
18,847	Sub total bonds	21,719
	<i>Property: by type</i>	
17,882	UK Property	16,630
-	Overseas Property	-
17,882	Sub total property	16,630
	<i>Private equity</i>	
7,239	All	10,260
7,239	Sub total private equity	10,260
	<i>Other investment funds</i>	
95,892	Equities	89,360
23,367	Bonds	9,401
7,096	Hedge Funds	18
4,769	Commodities	7,869
9,628	Infrastructure	11,701
6,023	Other	45,274
146,775	Sub total other investment funds	163,623
	<i>Derivatives</i>	
(593)	Forward foreign exchange contracts	(283)
203,557	Total assets	222,492

15. Accumulated absences account

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

During 2018/19 Police Officer rest days in lieu (RDIL) decreased from £1,499k to £1,074k and time off in lieu (TOIL) from £513k to 408k. These decreases are due to an increased effort by the Resource planning department to reduce the amount of outstanding RDIL and TOIL officers have accrued. In 2018/19 there were

also fewer operational occurrences where officers have been called on to duty with less than 15 days notice, which would normally have resulted in RDIL's being accrued.

2017/18 £000		2018/19 £000
(3,737)	Balance at 1st April	(4,201)
3,737 (4,201)	Reversal of opening accrual made at the end of the preceding year Amounts accrued at the end of the current year	4,201 (3,618)
(464)	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	583
(4,201)	Balance at 31st March	(3,618)

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.

2017/18 OCC £000		Note	2018/19 OCC £000
-	Increase/(decrease) in impairment bad debts		-
(15)	Increase/(decrease) in creditors/RIA		(28)
15	Increase/(decrease) in debtors/PIA		28
-	Increase/(decrease) in inventories		-
(58,575)	Movement in pension liability		(160,334)
-	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		-
(464)	Other non-cash items charged to the net surplus or deficit on the provision of services		583
(59,039)			(159,751)

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 31st July 2019. No adjusting events have taken place to date.

18. Contingent liabilities

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

The Independent Inquiry into Child Sexual Abuse (IICSA) will investigate whether public bodies and other non-state institutions have taken seriously their duty to protect children from sexual abuse in England and Wales.

The Janner strand of the enquiry is due to be heard in the window from 3rd to 21st February 2020. The Office of the Chief Constable will be required to meet the legal costs in representing the interests of the Force. A reliable estimate of these costs cannot be made at this time and therefore it is highlighted as a contingent liability in the Group / OPCC accounts.

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.

In December 2018 the Court of Appeal upheld a ruling (McCloud / Sargeant) that pension transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The UK government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Both the Police Pension and Local Government schemes have transitional protections in place following the introduction of Career Average Revalued Earnings (CARE) schemes. Benefits accrued since the introduction of CARE may therefore need to be enhanced so that all members, regardless of age will benefit from the protections. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers. An estimate of the potential liability is included in the accounts as a past service cost as there is a probable future outflow of economic benefit and a reliable estimate, using reasonable assumptions, can be made.

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

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. 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 4.35% of total income (2017/18 – 4.36%). 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 0.07% of the total debtors value (2017/18 - 0.02 %). 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 20.1 – Long term borrowing of the Group Accounts.

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

Market risk

Interest rate risk

The OPCC/Group is exposed to a limited degree of risk regarding interest rate fluctuations on both short-term investments and on new borrowings. Both short-term investments and new borrowings are entered into by the OPCC/Group at a fixed interest rate for the term of each. The risk therefore arises from the uncertainty of what level interest rates will be at when the OPCC/Group either makes a short-term investment or enters into a

new borrowing arrangement with PWLB. A movement in interest rates could have a complex impact on the OPCC/Group. For instance, a rise in interest rates would have the following effects:

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

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

The OPCC/Group 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 2018/19 financial year and its position at the year-end of 31st March 2019. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* (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

Financial liabilities

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

A7 Provisions & Contingent Liabilities

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

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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 1st April as future pay increases may be subject to change).

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

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

Termination benefits

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

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

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

Discretionary benefits

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

A10 Jointly controlled operations

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

2017/18 £000		2018/19 £000
	Contributions receivable:	
	OPCC/Group	
(13,569)	■ employer's contributions	(13,560)
(1,157)	■ early retirements	(838)
(8,662)	■ officers' contributions	(8,624)
(23,388)		(23,022)
(277)	Transfers in from other pension schemes	(348)
	Benefits payable:	
42,144	■ pensions	44,572
8,262	■ commutations and lump sum retirement benefits	10,710
1,314	■ ill-health commutations and lump sum retirement benefits	1,109
181	■ lump sum death benefits	17
51,901		56,408
	Payments to and on account of leavers:	
5	■ refund of contributions	23
-	■ transfers out to other police Forces	48
5		71
28,241	Net amount payable for the year	33,109
(28,241)	Additional funding Receivable from the Police Fund	(33,109)

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

31st March 2018 £000		31st March 2019 £000
	Current assets	
5,620	Contributions due from the OPCC/Group	8,186
	Current liabilities	
-	Unpaid pensions benefits	-
5,620		8,186

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 continued to make a total contributions equivalent to 24.2% of pensionable pay during 2018/19 as the reduction in the rate of 2.9% was 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'.

The results of the 2018/19 actuarial valuation on the police pension fund have been made available and from April 2019 the employers' contribution rate will increase to 31%.

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

1) Scope of Responsibility

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

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

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

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

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

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

2) The Purpose of the Governance Framework

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

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

The Corporate Governance Framework in place for 2017/18 is due for review during 2019/20 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.

During 2018/19, Mazars continued as Internal Auditors for the region. Regular review and planning meetings took place which helped identify, discuss and share best practice and identify potential common audit themes.

Additionally, for 2018/19, Mazars attended the Strategic Organisation Risk Board (SORB) as the force and the OPCC strengthened and embedded further the risk management processes in operation.

Mazars also attended Regional CFO and Finance Director meetings to update on the progress of 2018/19 Regional Collaboration audits and the Regional Collaboration Internal Audit Plan and the proposed workplan and timescales for 2019/20.

The effectiveness of audit committees should be carried out periodically. The last one carried out was in 2017/18 with the next one planned to take place in 2019/20. In the 2017/18 the review, which was carried out by Mazars found that:

“From our experience of attending or, in some cases, reviewing such arrangements across both the police sector and beyond, arrangements in place within Leicestershire Police / OPCC are generally sound.”

The 2019/20 Internal Audit Plan was considered and approved at the JARAP meeting held on 25 April 2019. It was prepared following discussion and consideration of regional and three force audit themes, the risk register and other factors.

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

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

- A 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;
- Appropriately qualified 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 22nd November 2012. Under the Police Reform and Social Responsibility Act 2011 the OCC CFO has a personal fiduciary duty by virtue of their appointment as the person responsible for the financial administration of the OCC. This includes requirements and formal powers to safeguard lawfulness and propriety of expenditure (Section 114 of the Local Government Act 1988 as amended by paragraph 188 of Schedule 16 to the Police Reform and Social Responsibility Act 2011).

The 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 2018/19 which provided assurance under the new arrangements for two corporation soles. The following specific local audits were undertaken:

- Procurement
- Firearms Licensing
- Governance
- Data Quality
- Fleet Management
- IT Strategy
- Core Financials
- Payroll
- Payroll Provider
- Health & Safety
- GDPR

During 2018/19, the following collaborative audits were carried out

- Strategic Financial Planning
- Risk Management
- Business Planning
- Projected underspend analysis and review

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 2018 to 31 March 2019 and will be reported to and considered by the JARAP in July 2019. The key messages in that report are included here within this Annual Governance Statement.

The Internal Audit opinions included within their annual report for both the Police and Crime Commissioner and the Chief Constable for 2018-19 were as follows:

"From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31st March 2019, we can provide the following opinions":



The basis of Mazars' 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

As part of the 2018/19 Internal Audit plan we undertook an audit of the Code of Corporate Governance. The specific areas that formed part of this review included: governance framework, policies and procedures, roles and responsibilities and decision making. We concluded that there is a basically sound system of internal control, although there are weaknesses which put some of the Organisation's objectives at risk.

Through our delivery of the internal audit plan and attendance at JARAP and Strategic Organisational Risk Board (SORB) meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police has been effective for the year ended 31st March 2019.

Risk Management

Whilst a specific audit of risk management was not carried during 2018/19, 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 and processes tested were being consistently applied.

Additionally, during the course of delivering the 2018/19 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 2018/19 year, all 16 internal audits were rated either 'significant' or 'satisfactory' with regards our assurance opinion. In addition, the three collaborative audits covering the East Midlands policing region all were rated 'satisfactory assurance'.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2018/19, split between those specific to Leicestershire and those undertaken as part of East Midlands regional collaborative audits.

Leicestershire Only

Assurance Gradings	2018/19	
Significant	4	25%
Satisfactory	12	75%
Limited	0	0%
Nil	0	0%
Total	16	

Collaboration Audits

Assurance Gradings	2018/19	
Significant	0	0%
Satisfactory	3	100%
Limited	0	0%
Nil	0	0%
Total	3	

Issues relevant to Annual Governance Statement

The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control. Internal Audit, through its annual programme of activity, has a duty to bring to your attention any areas of weakness we believe should be considered when producing the Annual Governance Statement.

Restriction placed on the work of Internal Audit

As set out in the Audit Charter, we can confirm that Internal Audit had unrestricted right of access to all OPCC and Force records and information, both manual and computerised, cash, stores and other property or assets it considered necessary to fulfil its responsibilities."

External audit (Ernst & Young LLP) issued their 'Annual Audit Letter for the year ended 31 March 2018' in September 2018 and this was considered by the JARAP at their meeting held on 19 September 2018. The letter summarised the results of their 2017-18 audit and built on the 'Audit Results Report' considered by the JARAP at their meeting on the 24 July 2018. It reported that:

- 'Unqualified - the financial statements give a true and fair view of the financial position of the PCC, CC, Group and Pension Fund as at 31 March 2018 and of its expenditure for the year then ended;
- other information published with the financial statements was consistent with the Annual Accounts;
- we concluded that you have put in place proper arrangements to secure value for money in your use of resources;
- the Governance statement was consistent with our understanding of the PCC and CC;

- we had no matters to report in the public interest;
- Written recommendations to the PCC and CC which should be copied to the Secretary of State – we had no matters to report;
- Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014 – we had no matters to report;
- Reporting to the National Audit Office (NAO) on our review of the PCC and CC's Whole of Government Accounts Return (WGA) – we had no matters to report.

As a result of the above we have also:

- issued a report to those charged with governance of the PCC and CC communicating significant findings resulting from our audit - our Audit Results Report was issued on 16 July 2018;
- 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 27 July 2018'.

The JARAP met five 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 2019/20, reviewed their terms of reference and produced an annual report of their work.

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

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

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.

5) Significant Governance Issues

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

In 2018/19 the internal auditors, Mazars, carried out 16 audits and as detailed on the table earlier none of these were given limited assurance. This is the first time this has happened for a number of years and indicates a general improvement in the internal control environment. As a result it is concluded that there are no significant issues or actions that need to be highlighted as part of this Annual Governance Statement.

In the previous year, 2017-18, two audits received limited assurance. These were:

- Health and Safety; and
- Seized and Found Property

Police and Crime Plan and Resources

It was also highlighted in the previous year that the medium term financial outlook showed an anticipated deficit emerging over the life of the forecast culminating in an estimated deficit of £9.0m for the financial year 2022-23.

However, the Police Precept and Budget was agreed by the Police and Crime Panel on 1 February 2019 which demonstrated that by increasing the precept by the maximum allowed and through the prudent use of reserves the medium term financial outlook now showed a balanced position over the life of the forecast which was until 31 March 2024.

This therefore addresses the risk that was raised in last year's Annual Governance Statement. However, this position will be reviewed and updated on a regular basis and is likely to change over time given uncertainty about the impact of Brexit and the impending Comprehensive Spending Review.

HMIC Inspections and Force Performance

In May 2019 HMICFRS issued their latest 'Police effectiveness, efficiency and legitimacy (PEEL)' inspection results for the Force:

- How **effectively** does the force reduce crime and keep people safe? Inspection result – **Good**
- How **efficiently** does the force operate and how sustainable are its services? Inspection result – **Good**
- How **legitimately** does the force treat the public and its workforce? Inspection result – **Good**

This result is an improvement on the previous PEEL inspection which concluded that the force was '**good**' in effectiveness and legitimacy but '**required improvement**' in efficiency.

The full inspection report can be found at the following link:

<https://www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/peel-assessment-2018-19-leicestershire.pdf>

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.

High priority strategic risks

At the end of March 2019 the Strategic Risk Register highlighted six strategic risks that were judged to be high priority. They were:

- Evolving digital sophistication
- The maintenance of workforce wellbeing
- Increased demand
- Current Job Evaluation Scheme shortcomings
- The management of archive provision
- Failure to accurately record crime

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

Conclusion

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



Rob Nixon
Deputy Chief Constable
31st July 2019



Ruth Gilbert
Deputy Chief Finance Officer
31st July 2019



East Midlands Police Collaboration

Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION 2018/19

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.

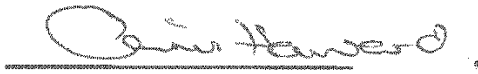
A budget is approved each year at the EMPCC/CC's Board which defines the expenditure targets for each area of policing within regional collaboration. Each force actively supports the budget allocation and sets its own precept accordingly.

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



Date 7/5/19

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 2019 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;
- Related notes 1 to 22; and
- Chief Constable of Leicestershire Pension Fund Account and related notes 1 to 4.

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 2018/19.

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 2019 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 2018/19.

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 Narrative Report on pages 1 to 9, 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.

We have nothing to report in this regard.

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 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 2019.

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 “*Statement of Responsibilities for the Statement of Accounts for the Chief Constable of Leicestershire*” set out on page 10, 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 2018/19, 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 November 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 2019.

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 Date: 16TH September 2019

Neil Harris (Key Audit Partner) FOR AND ON BEHALF OF
Ernst & Young LLP (Local Auditor)
Luton

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

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

Accounting policies

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

Accrual

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

Actuarial gain/loss

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

Actuarial Valuation

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

Amortisation

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

Budget

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

Capital expenditure

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

Capital financing requirement

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

Capital grant

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

Capital receipts

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

CIPFA

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

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 1st April covered by the accounts.

Formula spending share

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

Impairment

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

Investment property

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

LASAAC

Local Authority (Scotland) Accounts Advisory Committee

Leasing

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

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

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

Liquid resources

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

Minimum revenue provision

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

Net book value

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

Non-current assets

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

Non distributed costs

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

Past service cost (pensions)

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

Precept

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

Public Works Loan Board (PWLB)

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

Receipts and payments

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

Unusable reserves

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

Usable reserves

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