

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

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

2018/19

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Narrative Report by the Chief Finance Officer

These accounts set out the overall financial position of Leicestershire Police for the year ended 31 March 2019.

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

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

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

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 has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

Budget 2018-19

The budget set for the financial year relevant to these accounts was the second budget set by the Police and Crime Commissioner for Leicestershire, Lord Willy Bach, who was elected in May 2016.

Lord Bach set his budget and precept for 2018/19 in January 2018 to support the ongoing delivery of his Police and Crime Plan.

The Police and Crime Plan includes an overarching objective of 'Prevention' and the following five key themes:

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

The budget and precept for 2018/19 included investment in the following areas:

- 24 new Police Officers which is equivalent to three new officers for each of the eight Neighbourhood Policing Areas (NPAs).
- Continued support for Police Community Support Officers (PCSOs)
- Four Police Staff investigators.
- An additional post to seek to move towards a workforce which is more representative of the communities served by the Police.
- An increase in the Commissioning budget which is used to work with partners to achieve elements set out in the Police and Crime plan.
- Investment in new technology which will seek to improve efficiency and keep police officers out on the streets longer.

These initiatives are in addition to the increase in Police Officers and investments contained within the previous year's budget set by Lord Bach.

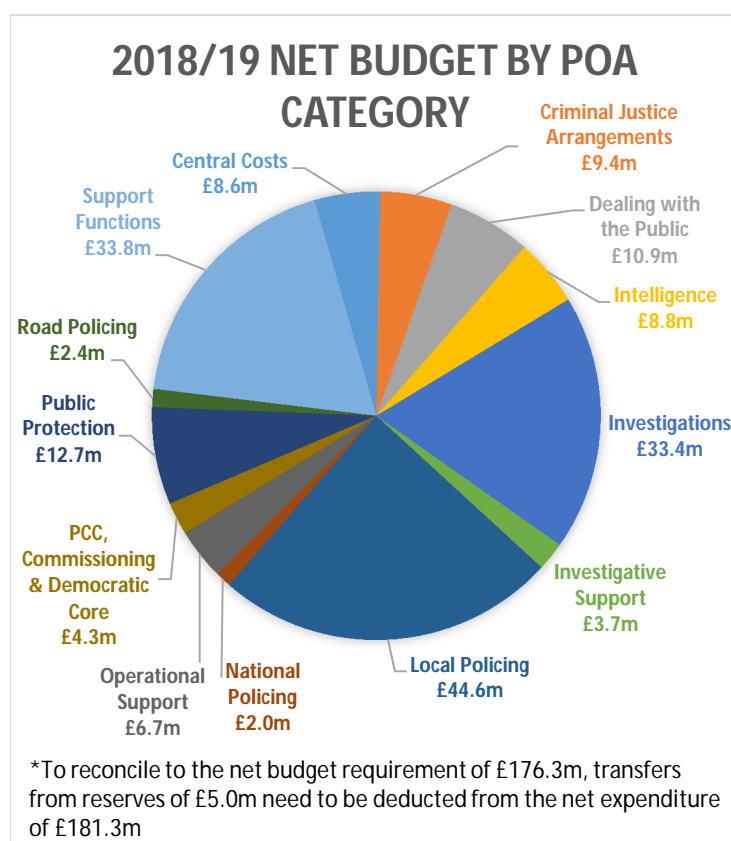
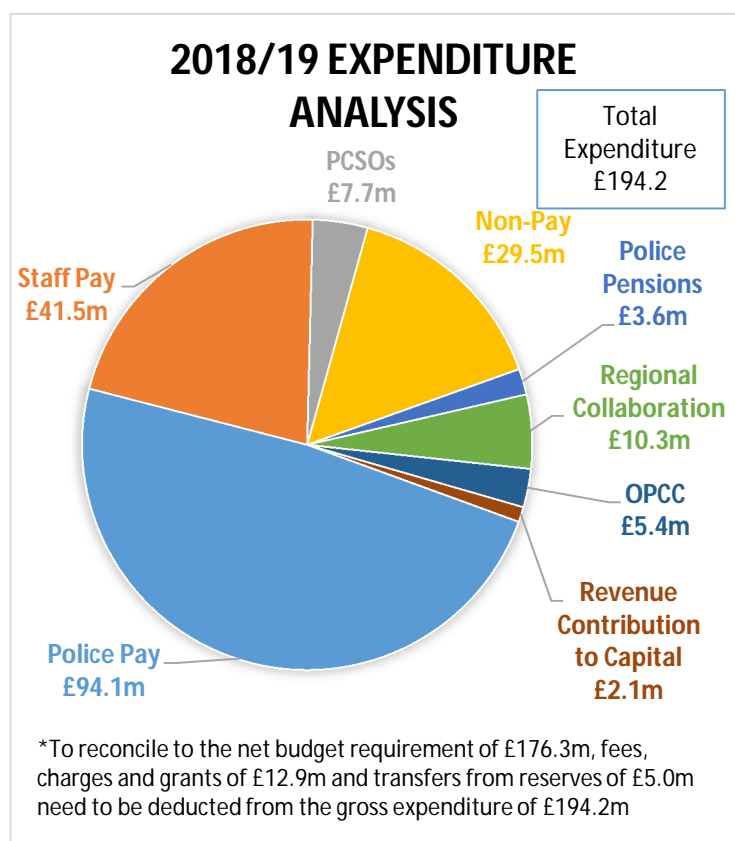
In 2018/19, the Office of the Police and Crime Commissioner for Leicestershire's budget was managed and closely monitored in conjunction with the Force. As a result, the final outturn for the year was an underspend of £9k on a budget of £176.3m.

Performance and Financial Position

A net annual revenue budget for 2018/19 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). The majority of the funding is provided by Government, with 36% met through the Council Tax.

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



Performance against budget

As described above, the OPCC (Group) underspent its 2018/19 budget by £9k, after the transfer of funds to earmarked reserves, including £2.3m to meet future commitments in 2019/20. This was attributable to:

The Office of the Chief Constable for Leicestershire - £9k underspend

- 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.

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

- The Office of the Police and Crime Commissioner had a very small underspend of £12,000 which it has transferred into an earmarked reserve at year end for use in 2019/20.

Reserves

The Police Fund (General Reserve) has been maintained at £6.0m. The total earmarked reserves are £18.7m (including both a share of regional jointly controlled reserves as well as reserves held on behalf of partners) a reduction of £3m.

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:

Narrative Report by the Chief Finance Officer

- 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.

Capital spending

£10.3m was spent on improving the estate, investing in information technology and the vehicle fleet. This was funded by a combination of internal borrowing, grant, asset sales, third party income and revenue contributions. This capital spending resulted in non-current asset additions of £10.2m with £0.1m being charged to the Comprehensive Income and Expenditure Statement as 'Revenue Expenditure Financed from Capital resources Under Statute' (REFCUS – see Note 14). No external long term borrowing was taken out during 2018/19. Outstanding external debt at the year-end was £12.4m (excluding accruals for interest payable).

The 'Estates' projects undertaken include the building of a new 'property store' to provide a fit for purpose facility (due for completion during the summer of 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 and Control System (ICCS) to support the roll out of the Emergency Services Network (ESN) programme.
- preparatory work in relation to the National Enabling Programme's 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.

Looking Forward - Budget 2019/20 and beyond

In December 2019, following sustained lobbying by the PCC, the Chief Constable and colleagues in other force areas, the Policing Minister announced that the local precept could be increased by £24 per annum for a Band D property, the expectation from Government being that the full increase would be implemented by Police and Crime Commissioners.

The settlement from Government also included some funding intended for increases in Pension costs that were to be faced by all forces based on an actuarial update of the ongoing pension fund liability for the Police Pension scheme. This additional financial burden was unexpected and unavoidable and therefore it was right that Government should provide funding to cover the cost.

However, the Commissioner was disappointed that Central Government did not meet the whole cost of this additional financial burden. As a result, the balance which is estimated to be £500,000 would need to be met by local taxpayers. In fact, it was calculated that of the additional £24.00 additional precept increase for a Band D property that approximately £14.00 would be required to 'stand still' and cover shortfalls such as these as well as covering inflationary, contractual and other such pressures.

Narrative Report by the Chief Finance Officer

The Commissioner also decided that he would begin to utilise some of the cash reserves that he held 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 to take place for the year 2019/20 and beyond:

- 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.
- PCSOs numbers will be kept at 181.
- 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.

Prior to setting the precept the Commissioner carried out a consultation exercise. There were over 1,100 responses with 1,077 being from people who stated they were local council tax payers in the area. Of these, 72% were in favour of an increase of up to £2.00 per month, or £24.00 per year, on a Band D property in order to protect and enhance the current level of policing services.

Lord Bach's Budget and Precept for 2019/20 continued to develop the themes contained within the Police and Crime Plan and build upon the approach taken in previous years. The proposals did include an increase of £24.00 per year for a Band D property and utilised the prudent use of reserves to ensure the significant investment referred to earlier were funded. The proposals recommended a total revenue net budget for 2019/20 of £187.1m alongside a capital programme of £9.9m

The proposals were considered by the Police and Crime Panel in February 2019 and were unanimously supported.

The Commissioner has worked closely with PCCs across the region to deliver policing and support services collaboratively where it makes sense to do so, to provide more efficient working practices and greater resilience for each force area.

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

In conclusion, the financial arrangements of the Office of the Police and Crime Commissioner and the Office of the Chief Constable are in a sound position although it is recognised that future funding challenges remain.

Both organisations have a reputation for managing expenditure within the resources available alongside a clear focus on a change programme to manage future austerity supported by an adequate level of reserves that will help the force through the change process. Discussions continue to ensure that there is an appropriate balance between the change programme and its implications, and the resources available in order to deliver the priorities of the Police and Crime Plan as identified to the Commissioner by the public and partners within Leicester, Leicestershire and Rutland.

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:

<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.

Explanation of the financial report

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

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

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

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

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

- The 'Cost of Policing' is charged to the OCC together with a credit for the corresponding income that was received by the PCC.
- All usable reserves remain on the OPCC's balance sheet.
- All bank/investment balances together with outstanding debt remain on the OPCC's balance sheet.

Narrative Report by the Chief Finance Officer

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

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

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

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

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

Movement in Reserves Statement

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

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

Comprehensive Income and Expenditure Statement

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

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

Balance Sheet

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

- Usable reserves - those reserves that the OPCC/Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital

Narrative Report by the Chief Finance Officer

receipts reserve that may only be used to fund capital expenditure or repay debt). These include reserves that are earmarked for a specific purpose.

- Unusable reserves - those that the OPCC/Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Cash Flow Statement

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

Notes to the core financial statements

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

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

The supplementary financial statements:

Pension Fund Account

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

Non-audited supplementary documents

Narrative Report

The purpose of the 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 OPCC/Group's financial position.

Statement of responsibilities

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

Annual governance statement

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



Martin Henry
Chief Finance Officer
31st July 2019

The OPCC's responsibilities

The OPCC is required to:

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

OPCC's approval

The Statement of Accounts for the year to 31st March 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 OPCC's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the CFO, has:

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

The Chief Finance Officer has also:

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

Chief Finance Officer's certification

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



Martin Henry
Chief Finance Officer
31st July 2019

Comprehensive Income & Expenditure Statement (Group)

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

2017/18				Note	2018/19		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
222,220	(18,776)	203,444	Policing Services		214,188	(19,749)	194,439
1,051	(77)	974	Corporate & Democratic Core		1,358	(73)	1,285
5,162	(1,362)	3,800	Commissioning		4,984	(1,268)	3,716
2	-	2	Non-Distributed Costs	27	114,348	-	114,348
228,435	(20,215)	208,220	Cost of services	2	334,878	(21,090)	313,788
44	-	44	Other operating expenditure	3	(81)	-	(81)
55,846	(71)	55,775	Financing and investment income & expenditure	4	54,253	(141)	54,112
-	(173,242)	(173,242)	Taxation & non-specific grant income	5	-	(178,584)	(178,584)
-	(26,394)	(26,394)	Grant received from the Home Office in respect of the pension fund account	27	-	(31,263)	(31,263)
284,325	(219,922)	64,403	(Surplus) or deficit on provision of services		389,050	(231,078)	157,972
		(3,032)	(Surplus) / deficit on revaluation of non-current assets	29			308
		(202,854)	Actuarial (gains) / losses on pension assets/liabilities	26			45,500
		(205,886)	Other comprehensive income & expenditure				45,808
		(141,483)	Total comprehensive income & expenditure				203,780

Comprehensive Income & Expenditure Statement (OPCC)

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

2017/18				Note	2018/19		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
961	(76)	885	Corporate & Democratic Core		1,274	(73)	1,201
5,162	(1,362)	3,800	Commissioning		4,984	(1,268)	3,716
6,123	(1,438)	4,685	Cost of services		6,258	(1,341)	4,917
199,645	-	199,645	Intra-group Transfer		202,701	-	202,701
44	-	44	Other operating expenditure	3	(81)	-	(81)
697	(71)	626	Financing and investment income & expenditure	4	657	(126)	531
-	(173,242)	(173,242)	Taxation & non-specific grant income	5	-	(178,584)	(178,584)
-	(26,394)	(26,394)	Grant received from the Home Office in respect of the pension fund account	27	-	(31,263)	(31,263)
206,509	(201,145)	5,364	(Surplus) or deficit on provision of services		209,535	(211,314)	(1,779)
		(3,032)	(Surplus) / deficit on revaluation of non-current assets	29			308
		-	Actuarial (gains) / losses on pension assets/liabilities	26			-
		(3,032)	Other comprehensive income & expenditure				308
		2,332	Total comprehensive income & expenditure				(1,471)

Balance Sheet (Group)

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

31 st March 2018 £000		Note	31 st March 2019 £000
1,484	Intangible assets	12	1,586
65,370	Property, Plant & Equipment	13	71,036
-	Assets held for sale	15	-
221	Investment property		236
442	Long term debtors	16	872
67,517	Total long term assets		73,730
222	Inventories		141
18,956	Short term debtors	16	22,698
10	Short term investments		10
13,131	Cash & cash equivalents	17	14,226
32,319	Current assets		37,075
(17,280)	Short term creditors	19/32	(16,107)
(131)	Short term borrowing	20	(10,132)
(472)	Provisions	22	(984)
(17,883)	Current liabilities		(27,223)
14,436	Net current assets		9,852
(12,399)	Long term borrowing	20	(12,399)
(478)	Deferred liabilities	18	(39)
(604)	Grants Receipts in Advance - Capital	11	(628)
(10)	Long-Term Creditors		-
(2,076,727)	Liability related to defined benefit pension schemes	27	(2,282,561)
(2,090,218)	Long term liabilities		(2,295,627)
(2,008,265)	Net assets / (liabilities)		(2,212,045)
(28,103)	Usable reserves*	23	(25,149)
2,036,368	Unusable reserves	24	2,237,194
2,008,265	Total reserves		2,212,045

*This includes reserves that are earmarked for a specific purpose (Earmarked Reserves)

Re-certification

The financial statements on pages 1 to 93 were authorised for issue on 31st July 2019.



Balance Sheet (OPCC)

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

31 st March 2018 £000		Note	31 st March 2019 £000
1,484	Intangible assets	12	1,586
65,370	Property, Plant & Equipment	13	71,036
-	Assets held for sale	15	-
221	Investment property		236
403	Long term debtors	16	843
67,478	Total long term assets		73,701
222	Inventories		141
18,624	Short term debtors	16	22,597
10	Short term investments		10
13,131	Cash & cash equivalents	17	14,226
31,987	Current assets		36,974
(9,832)	Short term creditors	19/32	(9,214)
(131)	Short term borrowing		(10,132)
(472)	Provisions	22	(984)
(2,876)	Inter – Group Creditor		(3,145)
(13,311)	Current liabilities		(23,475)
18,676	Net current assets		13,499
(12,399)	Long term borrowing	20	(12,399)
(478)	Deferred liabilities	18	(39)
(604)	Grants Receipts in Advance - Capital	11	(628)
(10)	Long-Term Creditors		-
(13,491)	Long term liabilities		(13,066)
72,663	Net assets / (liabilities)		74,134
(28,103)	Usable reserves*	23	(25,149)
(44,560)	Unusable reserves	24	(48,985)
(72,663)	Total reserves		(74,134)

*This includes reserves that are earmarked for a specific purpose (Earmarked Reserves)

Re-certification

The financial statements on pages 1 to 93 were authorised for issue on 31st July 2019.



Statement of Movement in Reserves (Group)

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

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

2018/19	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
<i>Note</i>	23	23	23	23	24	
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018	(6,000)	(21,615)	(488)	(28,103)	2,036,368	2,008,265
Movement in reserves during 2018/19						
Surplus or deficit on the provision of services	157,972	-	-	157,972	-	157,972
Other Comprehensive Income and Expenditure		-	-	-	45,808	45,808
Total Comprehensive Income and Expenditure	157,972	-	-	157,972	45,808	203,780
Adjustments between accounting basis and funding basis under regulations	(155,020)		2	(155,018)	155,018	-
Net Increase or Decrease before Transfers to Earmarked Reserves	2,952	-	2	2,954	200,826	203,780
Transfers to/from Earmarked Reserves	(2,952)	2,952	-	-	-	-
Increase or Decrease in 2018/19	-	2,952	2	2,954	200,826	203,780
Balance at 31 March 2019	(6,000)	(18,663)	(486)	(25,149)	2,237,194	2,212,045

Core financial statements

2017/18	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
<i>Note</i>	23 £000	23 £000	23 £000	23 £000	24 £000	£000
Balance at 31 March 2017	(6,000)	(23,762)	(634)	(30,396)	2,180,144	2,149,748
Movement in reserves during 2017/18						
Surplus or deficit on the provision of services	64,403	-	-	64,403	-	64,403
Other Comprehensive Income and Expenditure	-	-	-	-	(205,886)	(205,886)
Total Comprehensive Income and Expenditure	64,403	-	-	64,403	(205,886)	(141,483)
Adjustments between accounting basis and funding basis under regulations	(62,256)		146	(62,110)	62,110	-
Net Increase or Decrease before Transfers to Earmarked Reserves	2,147	-	146	2,293	(143,776)	(141,483)
Transfers to/from Earmarked Reserves	(2,147)	2,147	-	-	-	-
Increase or Decrease in 2017/18	-	2,147	146	2,293	(143,776)	(141,483)
Balance at 31 March 2018	(6,000)	(21,615)	(488)	(28,103)	2,036,368	2,008,265

Statement of Movement in Reserves (OPCC)

2018/19	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
<i>Note</i>	23	23	23	23	24	
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018	(6,000)	(21,615)	(488)	(28,103)	(44,560)	(72,663)
Movement in reserves during 2018/19						
Surplus or deficit on the provision of services	(1,779)	-	-	(1,779)	-	(1,779)
Other Comprehensive Income and Expenditure		-	-	-	308	308
Total Comprehensive Income and Expenditure	(1,779)	-	-	(1,779)	308	(1,471)
Adjustments between accounting basis and funding basis under regulations	4,731	-	2	4,733	(4,733)	-
Net Increase or Decrease before Transfers to Earmarked Reserves	2,952	-	2	2,954	(4,425)	(1,471)
Transfers to/from Earmarked Reserves	(2,952)	2,952	-	-	-	-
Increase or Decrease in 2018/19	-	2,952	2	2,954	(4,425)	(1,471)
Balance at 31 March 2019	(6,000)	(18,663)	(486)	(25,149)	(48,985)	(74,134)

Core financial statements

2017/18	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
<i>Note</i>	23 £000	23 £000	23 £000	23 £000	24 £000	£000
Balance at 31 March 2017	(6,000)	(23,762)	(634)	(30,396)	(44,599)	(74,995)
Movement in reserves during 2017/18						
Surplus or deficit on the provision of services	5,364	-	-	5,364	-	5,364
Other Comprehensive Income and Expenditure	-	-	-	-	(3,032)	(3,032)
Total Comprehensive Income and Expenditure	5,364	-	-	5,364	(3,032)	2,332
Adjustments between accounting basis and funding basis under regulations	(3,217)	-	146	(3,071)	3,071	-
Net Increase or Decrease before Transfers to Earmarked Reserves	2,147	-	146	2,293	39	2,332
Transfers to/from Earmarked Reserves	(2,147)	2,147	-	-	-	-
Increase or Decrease in 2017/18	-	2,147	146	2,293	39	2,332
Balance at 31 March 2018	(6,000)	(21,615)	(488)	(28,103)	(44,560)	(72,663)

Cash Flow Statement (Group)

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

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

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

2017/18 £000		Note	2018/19 £000
64,403	Net (surplus) or deficit on the provision of services		157,972
(64,548)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33.2	(159,019)
2,749	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33.3	3,282
2,604	Net cash flows from operating activities		2,235
4,442	Investing activities	34	6,231
372	Financing activities	35	(9,561)
7,418	Net (increase) or decrease in cash and cash equivalents		(1,095)
(20,549)	Cash and cash equivalents at the beginning of the reporting period	17	(13,131)
(13,131)	Cash and cash equivalents at the end of the reporting period	17	(14,226)

Cash Flow Statement (OPCC)

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

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

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

2017/18 £000		Note	2018/19 £000
5,364	Net (surplus) or deficit on the provision of services		(1,779)
(5,509)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33.2	732
2,749	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33.3	3,282
2,604	Net cash flows from operating activities		2,235
4,442	Investing activities	34	6,231
372	Financing activities	35	(9,561)
7,418	Net (increase) or decrease in cash and cash equivalents		(1,095)
(20,549)	Cash and cash equivalents at the beginning of the reporting period	17	(13,131)
(13,131)	Cash and cash equivalents at the end of the reporting period	17	(14,226)

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

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

GROUP 2018/19	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(160,334)			160,334
Council tax and NDR (transfers to or from the Collection Fund)	(48)			48
Holiday pay (transferred to the Accumulated Absences reserve)	585			(585)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,881)		(1,757)	3,638
Total Adjustments to Revenue Resources	(161,678)	-	(1,757)	163,435
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	904	(904)		-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,867			(1,867)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,887			(3,887)
Total Adjustments between Revenue and Capital Resources	6,658	(904)	-	(5,754)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		904		(904)
Application of capital grants to finance capital expenditure			1,759	(1,759)
Total Adjustments to Capital Resources	-	904	1,759	(2,663)
Total Adjustments	(155,020)	-	2	155,018

Notes to the core financial statements

GROUP 2017/18	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(58,575)			58,575
Council tax and NDR (transfers to or from the Collection Fund)	(471)			471
Holiday pay (transferred to the Accumulated Absences reserve)	(448)			448
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,407)		(1,933)	7,340
Total Adjustments to Revenue Resources	(64,901)	-	(1,933)	66,834
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	675	(675)		-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,527			(1,527)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	443			(443)
Total Adjustments between Revenue and Capital Resources	2,645	(675)	-	(1,970)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		675		(675)
Application of capital grants to finance capital expenditure			2,079	(2,079)
Total Adjustments to Capital Resources	-	675	2,079	(2,754)
Total Adjustments	(62,256)	-	146	62,110

OPCC 2018/19	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	-			-
Council tax and NDR (transfers to or from the Collection Fund)	(48)			48
Holiday pay (transferred to the Accumulated Absences reserve)	2			(2)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,881)		(1,757)	3,638
Total Adjustments to Revenue Resources	(1,927)	-	(1,757)	3,684
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	904	(904)		-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,867			(1,867)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,887			(3,887)
Total Adjustments between Revenue and Capital Resources	6,658	(904)	-	(5,754)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		904		(904)
Application of capital grants to finance capital expenditure			1,759	(1,759)
Total Adjustments to Capital Resources	-	904	1,759	(2,663)
Total Adjustments	4,731	-	2	(4,733)

Notes to the core financial statements

OPCC 2017/18	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	-			-
Council tax and NDR (transfers to or from the Collection Fund)	(471)			471
Holiday pay (transferred to the Accumulated Absences reserve)	16			(16)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,407)		(1,933)	7,340
Total Adjustments to Revenue Resources	(5,862)	-	(1,933)	7,795
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	675	(675)		-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,527			(1,527)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	443			(443)
Total Adjustments between Revenue and Capital Resources	2,645	(675)	-	(1,970)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		675		(675)
Application of capital grants to finance capital expenditure			2,079	(2,079)
Total Adjustments to Capital Resources	-	675	2,079	(2,754)
Total Adjustments	(3,217)	-	146	3,071

Notes to the core financial statements

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		
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000
168,369	35,075	203,444
990	(16)	974
3,800	-	3,800
-	2	2
173,159	35,061	208,220
(171,012)	27,195	(143,817)
2,147	62,256	64,403
(29,762)		
2,147		
(27,615)		

GROUP	2018/19		
	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
<i>Note</i>		<i>2.1</i>	
Policing Services	173,657	20,782	194,439
Corporate & Democratic Core	1,287	(2)	1,285
Commissioning	3,716	-	3,716
Non-Distributed Costs	-	114,348	114,348
Net Cost of Services	178,660	135,128	313,788
Other Income and Expenditure	(175,708)	19,892	(155,816)
Surplus or Deficit on Provision of Services	2,952	155,020	157,972
Opening Combined General Fund Balance	(27,615)		
Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	2,952		
Closing Combined General Fund Balance	(24,663)		

Notes to the core financial statements

2017/18			2018/19			
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	OPCC	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
			<i>Note</i>		<i>2.1</i>	
£000	£000	£000		£000	£000	£000
901	(16)	885	Corporate & Democratic Core	1,203	(2)	1,201
3,800	-	3,800	Commissioning	3,716	-	3,716
-	-	-	Non-Distributed Costs	-	-	-
4,701	(16)	4,685	Net Cost of Services	4,919	(2)	4,917
(2,554)	3,233	679	Other Income and Expenditure	(1,967)	(4,729)	(6,696)
2,147	3,217	5,364	Surplus or Deficit on Provision of Services	2,952	(4,731)	(1,779)
(29,762)			Opening Combined General Fund Balance	(27,615)		
2,147			Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	2,952		
(27,615)			Closing Combined General Fund Balance	(24,663)		

2.1 Note to Expenditure and Funding Analysis

GROUP	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	-	-	(2)	-	(2)
Non-Distributed Costs	-	114,348	-	-	114,348
Net Cost of Services	(436)	138,016	(2,452)	-	135,128
Other Income and Expenditure	(2,474)	22,318	48	-	19,892
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	(2,910)	160,334	(2,404)	-	155,020

Notes to the core financial statements

GROUP	2017/18				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	6,320	29,818	(1,063)	-	35,075
Corporate & Democratic Core	-	-	(16)	-	(16)
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	2	-	-	2
Net Cost of Services	6,320	29,820	(1,079)	-	35,061
Other Income and Expenditure	(2,031)	28,755	471	-	27,195
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	4,289	58,575	(608)	-	62,256

OPCC	2018/19				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Corporate & Democratic Core	-	-	-	-	-
Commissioning	-	-	(2)	-	(2)
Non-Distributed Costs	-	-	-	-	-
Net Cost of Services	-	-	(2)	-	(2)
Other Income and Expenditure	(2,911)	-	(1,818)	-	(4,729)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	(2,911)	-	(1,820)	-	(4,731)

OPCC	2017/18				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Corporate & Democratic Core	-	-	(16)	-	(16)
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	-	-	-	-
Net Cost of Services	-	-	(16)	-	(16)
Other Income and Expenditure	4,289	-	(1,056)	-	3,233
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	4,289	-	(1,072)	-	3,217

Notes to the core financial statements

2.2 Expenditure and Income Analysed by Nature (Group)

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

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

2017/18 £000	Nature of Expenditure or Income	Note	2018/19 £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)	27	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
974	The Office of the Police and Crime Commissioner		1,285
5,162	Commissioning Activities by the PCC		4,984
100	Revenue expenditure financed from capital resources (REFCUS)	14/30	189
4,516	Depreciation & amortisation charges	12/13	4,681
2,115	(Surplus) / deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	13	(1,510)
2	Non-distributed costs regarding pensions	27	114,348
228,359	Gross operating expenditure		333,295
(5,723)	Income from government grants	11	(4,881)
(9,726)	Income from fees and charges		(10,714)
(3,328)	Contributions from other local authorities		(2,644)
(1,362)	Commissioning grant		(1,268)
208,220	Cost of services		313,788
44	Other operating expenditure	3	(81)
55,775	Financing and investment income & expenditure	4	54,112
(173,242)	Taxation & non-specific grant income	5	(178,584)
(26,394)	Grant received from the Home Office in respect of the pension fund account	27	(31,263)
64,403	(Surplus) or deficit on provision of services		157,972
(3,032)	(Surplus) / deficit on revaluation of non-current assets	29	308
(202,854)	Actuarial (gains) / losses on pension assets/liabilities	26	45,500
(205,886)	Other comprehensive income & expenditure		45,808
(141,483)	Total comprehensive income & expenditure		203,780

Notes to the core financial statements

3. Other operating expenditure (Group & OPCC)

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

2017/18 Outturn £000		Note	2018/19 Outturn £000
44	(Gains)/losses on the disposal of non-current assets	12/13	(81)
44			(81)

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

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

2017/18 OPCC £000	2017/18 Group £000		Note	2018/19 OPCC £000	2018/19 Group £000
697	697	Interest payable and similar charges		672	672
-	55,149	Pensions net interest cost	27	-	53,581
(44)	(44)	Interest receivable and similar income		(104)	(104)
(27)	(27)	Income and expenditure in relation to investment properties		(22)	(22)
-	-	Changes in the market value of investment properties	30	(15)	(15)
626	55,775			531	54,112

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

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

2017/18 Outturn £000		Note	2018/19 Outturn £000
(58,711)	Council tax income	8	(63,749)
(73,364)	Police grant		(73,364)
(39,093)	Ex-CLG grant		(39,093)
(2,074)	Capital grants and contributions		(2,378)
(173,242)			(178,584)

Council tax income is presented on an accruals basis whilst the police and Ex Communities and Local Government grants are on a cash basis – the full amount having been received in the year. Further explanation regarding the accounting treatment for council tax can be seen in accounting policy A7.

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

6. Officers' remuneration (Group & OPCC)

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

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 Director	6	98,936		-	5,435	20,579	124,950
Human Resources	6	-	-	-	-	-	-
		711,875	5,630	17,806	30,608	114,582	880,501
Office of the PCC							
Chief Executive		76,884		-	-	15,992	92,876
Chief Financial Officer		71,649		-	-	14,903	86,552
		148,533	-	-	-	30,895	179,428
Group		860,408	5,630	17,806	30,608	145,477	1,059,929

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 (until 04/03/18)		116,924	-	2,991	5,036	23,722	148,673
Deputy Chief Constable 2 (from 05/03/18)		8,755		245	365	1,865	11,230
Assistant Chief Constables							
Senior Police Officer J	4	110,790	2,961	3,423	(932)	23,598	139,840
Senior Police Officer K (until 04/03/18)	5	97,698	-	3,131	4,662	20,686	126,177
Senior Police Officer L (from 08/01/18)	6	22,808	-	780	1,162	4,216	28,966
Senior Police Officer N (from 12/06/17)	7	78,890	-	2,710	4,036	14,600	100,236
Assistant Chief Officers							
Finance & Resources	8	95,349	-	-	5,435	18,879	119,663
Human Resources (until 30/04/17)	8	7,946	-	-	458	1,573	9,977
		684,773	2,961	17,820	30,862	140,155	876,571
Office of the PCC							
Head of Governance & Assurance (until 30/11/2017)	9	41,415	-	-	-	8,200	49,615
Chief Executive (from 01/12/2017)	9	25,000	-	-	-	4,950	29,950
Chief Financial Officer (until 08/11/2017)		62,218	-	-	3,044	10,863	76,125
Chief Financial Officer (from 29/01/2018)	10	12,231	-	-	-	2,422	14,653
		140,864	-	-	3,044	26,435	170,343
Group		825,637	2,961	17,820	33,906	166,590	1,046,914

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 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.

Note 9 – The Head of Governance & Assurance covered the 'Monitoring Officer Role' from the 1st April 2017 until 30th November 2017, until the new Chief Executive was appointed on an annualised salary of £75,000.

Note 10 – The Chief Financial Officer (OPCC) commenced with the organisation of the 29th January 2018 taking up his statutory responsibilities on the 26th February 2018. During the period 9th November 2017 until the 25th February 2018 the Force's Assistant Chief Officer (Finance & Resources) covered the 'Section 151 role' on behalf of the OPCC. The annualised salary of the Chief Financial Officer (OPCC) is £70,000

Notes to the core financial statements

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

Group

Remuneration band £	2017/18	2018/19
	number of employees	number of employees
50,000 to 54,999	5	2
55,000 to 59,999	3	2
60,000 to 64,999	2	2
65,000 to 69,999	6	8
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:

Group

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £	
	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 table above only includes the exit packages for employees who have not been disclosed individually.

The OPCC/Group terminated the contracts of a number of employees in 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.

7. Jointly Controlled Operations (Group)

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

East Midlands (EM) Jointly Controlled Operations

Jointly Controlled Operation	Member Forces	Ownership %	Lead Force
EM Special Operations Unit <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.

7.1 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

7.2 Balance Sheet Jointly Controlled Operations

2017/18 £000		2018/19 £000
177	Intangible Fixed Assets	130
1,557	Land & Buildings	1,982
650	Vehicles & equipment	611
374	Assets Under Construction	-
2,758	Total Long Term Assets	2,723
1,136	Short-term Debtors	1,034
-	Assets held for sale	-
762	Cash & Cash Equivalents	253
1,898	Current Assets	1,287
(940)	Short-term Creditors	(570)
(940)	Current Liabilities	(570)
958	Net Current Liabilities	717
3,716	Net Assets	3,440
(1,122)	Earmarked Reserves	(858)
(1,122)	Usable Reserves	(858)
(2,691)	Capital Adjustment Account	(2,658)
(64)	Revaluation Reserve	(62)
161	Accumulated Absences Account	138
(2,594)	Unusable Reserves	(2,582)
(3,716)	Total Reserves	(3,440)

7.3 Movement in Reserves Jointly Controlled Operations

2017/18	2018/19				
Total all JCO Reserves £000		Total General Fund £000	Earmarked Reserves £000	Total Unusable Reserves £000	Total all JCO Reserves £000
(3,210)	Balance Brought Forward	-	(1,122)	(2,594)	(3,716)
(518)	(Surplus) or deficit on the provision of services	275	-	-	275
12	Other comprehensive income & expenditure	1	-	-	1
(506)	Total comprehensive income & expenditure	276	-	-	276
-	Adjustments between accounting basis & funding basis under regulations	-	-	-	-
-	Depreciation / amortisation	(299)	-	299	-
-	Disposal of non-current assets	(4)	-	4	-
-	Revaluation of non-current assets	(263)	-	263	-
-	Revaluation of non-current assets held for sale	-	-	-	-
-	Capital grants / contributions applied to capital expenditure	72	-	(72)	-
-	Revenue Expenditure Funded From Capital (REFCUS)	-	-	-	-
-	Charges for Employee Benefits	23	-	(23)	-
-	Capital grants / contributions unapplied credited / debited to CIES	-	-	-	-
-	Insertion of items not debited or credited to the CIES	-	-	-	-
-	Capital expenditure charged against the General Fund	460	-	(460)	-
-	Revaluation of non-current assets not charged to CIES	(1)	-	1	-
(506)	Net (increase)/decrease before transfers to/(from) earmarked reserves	264	-	12	276
-	Transfers to/(from) earmarked reserves	(264)	264	-	-
(506)	(Increase)/decrease in 2017/18	-	264	12	276
(3,716)	Balance at end of year	-	(858)	(2,582)	(3,440)

8. Related parties (Group & OPCC)

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

Central government has significant control over the general operations of the OPCC/Group. It is responsible for providing the statutory framework within which the OPCC/Group operates, and provides the majority of funding in the form of general or specific grants.

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

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

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

Notes to the core financial statements

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

2017/18 £000	Amounts are shown on an accruals basis	2018/19 £000
(6,088)	Blaby District Council	(6,550)
(10,332)	Charnwood Borough Council	(11,172)
(6,428)	Harborough District Council	(7,109)
(7,066)	Hinckley & Bosworth Borough Council	(7,614)
(13,352)	Leicester City Council	(14,497)
(3,397)	Melton Borough Council	(3,656)
(6,061)	North-West Leicestershire District Council	(6,615)
(3,217)	Oadby & Wigston Borough Council	(3,440)
(2,770)	Rutland County Council	(3,096)
(58,711)	Total	(63,749)

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

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

9. External audit costs (Group & OPCC)

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

2017/18		Costs	2018/19	
OPCC £000	Group £000		OPCC £000	Group £000
37	50	External audit services	25	37
37	50	Total	25	37

10. Leases (Group & OPCC)

10.1 OPCC as lessee

Finance leases

The OPCC holds three finance leases in respect of the land at the Spinney Hill, two rooms at Market Bosworth and one for shared accommodation at Coalville Fire Station. In entering into the Spinney Hill lease in 2005, the OPCC made an initial lump sum payment which negated the need to make further payments to the landlord over the 99 years of the lease. The Market Bosworth lease was signed in April 2005, no initial payment was made but an annual peppercorn rent of £1 is payable for the duration of the 99 year lease. The long lease for accommodation at Coalville Fire Station was entered into in January 2018. In entering into the lease the OPCC made an initial lump sum payment towards the cost of the extension negating the need to make any future lease rental payments. The OPCC will only contribute towards the annual running costs of the building.

Operating leases

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

Notes to the core financial statements

2017/18		2018/19				
Total £000		Property £000	Vehicles £000	Photo- copiers £000	Vending machines £000	Total £000
452	Payments recognised as an expense	300	19	124	18	461
	Minimum lease payments					
	Payable:					
41	Not later than one year	17	4	3	15	39
271	Later than one year and not later than five years	17	25	136	-	178
3,785	Later than five years	3,499	-	-	13	3,512

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

10.2 OPCC as lessor (Group & OPCC)

Operating leases

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

- Space on radio masts for telecommunication services

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

2017/18 £000		2018/19 £000
	Minimum lease receivables	
	Receivable:	
14	Not later than one year	18
202	Later than one year and not later than five years	140
1,188	Later than five years	1,319

11. Grant income (Group & OPCC)

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

2017/18 £000		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 (EMSOU & EMOpSS)	(938)
(273)	Others	(569)
(5,723)	Total	(4,881)

Notes to the core financial statements

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

2017/18 £000	Capital grants receipts in advance	2018/19 £000
(604)	S106 Developer Contributions	(575)
-	Local Authority Contributions	(53)
(604)	Total	(628)

12. Intangible Assets (Group & OPCC)

2017/18 £000	Software Licenses	2018/19 £000
	Balance at start of year	
6,956	Gross carrying amounts	6,706
(5,312)	Accumulated amortisation	(5,222)
1,644	Net carrying amount at start of year	1,484
405	Additions	157
(655)	Disposals	(1,781)
-	Transfers	546
(564)	Amortisation for the period	(595)
654	Amortisation on disposals	1,775
1,484	Net carrying amount at end of year	1,586
	Comprising:	
6,706	Gross carrying amounts	5,628
(5,222)	Accumulated amortisation	(4,042)
1,484		1,586

Transfers

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

Amortisation

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

- 1 – 10 years

Capital commitments

- See capital commitments under Note 13.

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

The Leicestershire County Council Estates Department has been retained on behalf of the OPCC/Group to provide valuation services. A full revaluation of all land and buildings has been completed as at the 31st December 2018. The valuer subsequently confirmed that there had been no material change in the property values between the 31st December 2018 and the 31st March 2019. The impact of the revaluation is reflected in the figures below.

The land & buildings net carrying amount below includes £133k in respect of the land at Spinney Hill. The land is held under a finance lease. The figure also includes £18.5k in respect of two rooms at Market Bosworth and £207k in relation to the shared building with the Fire Service at Coalville, both of these are classed as Finance Leases.

Following a review to identify components within the OPCC/Group's non-current assets, it was found that the headquarters communications building has two components - heating/ventilation and electrical installation – which have been separated out from the main structure on the OPCC/Group's asset registers. The two components are considered to have an identical useful life; hence they are combined together for depreciation purposes. The heating/ventilation & electrical installation component is carried in the balance sheet at a net book value of £388k (31 March 2018 - £420k) – the remainder of the building structure being held at a net book value of £1.1m (31 March 2018 - £1.4m).

	Land and buildings	Vehicles	Equipment	Assets under construction	Total PPE
2018/19	£000	£000	£000	£000	£000
Cost or valuation	-	-	-	-	-
At 1 April 2018	57,647	8,706	16,724	1,288	84,365
Additions	645	656	3,040	5,662	10,003
Revaluations / impairments recognised in the Revaluation Reserve	(1,171)	-	-	-	(1,171)
Revaluations / impairments recognised in the surplus/deficit on the provision of services	90	-	-	-	90
Disposals	(786)	(952)	(1,996)	-	(3,734)
Transfers	1,011	310	735	(2,602)	(546)
At 31 March 2019	57,436	8,720	18,503	4,348	89,007
Accumulated depreciation and impairment					
At 1 April 2018	(1,430)	(5,858)	(11,707)	-	(18,995)
Depreciation charge	(896)	(846)	(2,344)	-	(4,086)
Disposals	41	793	1,993	-	2,827
Adjustment due to revaluations – Depreciation written out to the Revaluation Reserve	863	-	-	-	863
Adjustment due to revaluations – Depreciation written out to the Comprehensive Income and Expenditure	1,420	-	-	-	1,420
Adjustment in respect of transfers	-	-	-	-	-
At 31 March 2019	(2)	(5,911)	(12,058)	-	(17,971)
Net book value					
at 31 March 2019	57,434	2,809	6,445	4,348	71,036
at 31 March 2018	56,217	2,848	5,017	1,288	65,370

Notes to the core financial statements

	Land and buildings	Vehicles	Equipment	Assets under construction	Total PPE
2017/18	£000	£000	£000	£000	£000
Cost or valuation	-	-	-	-	-
At 1 April 2017	55,812	8,166	17,070	765	81,813
Additions	918	711	1,995	2,869	6,493
Revaluations / impairments recognised in the Revaluation Reserve	2,063	-	-	-	2,063
Revaluations / impairments recognised in the surplus/deficit on the provision of services	(2,546)	-	-	-	(2,546)
Disposals	-	(370)	(3,191)	-	(3,561)
Transfers	1,400	199	850	(2,346)	103
At 31 March 2018	57,647	8,706	16,724	1,288	84,365
Accumulated depreciation and impairment					
At 1 April 2017	(1,950)	(5,257)	(12,734)	-	(19,941)
Depreciation charge	(880)	(925)	(2,147)	-	(3,952)
Disposals	-	324	3,174	-	3,498
Adjustment due to revaluations – Depreciation written out to the Revaluation Reserve	969	-	-	-	969
Adjustment due to revaluations – Depreciation written out to the Comprehensive Income and Expenditure	431	-	-	-	431
Adjustment in respect of transfers	-	-	-	-	-
At 31 March 2018	(1,430)	(5,858)	(11,707)	-	(18,995)
Net book value					
at 31 March 2018	56,217	2,848	5,017	1,288	65,370
at 31 March 2017	53,862	2,909	4,336	765	61,872

Transfers

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

Depreciation

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

- Buildings – 11 – 98 years
- Land – not depreciated
- Vehicles – 5 years
- Equipment – 3 – 25 years
- Assets under construction – not depreciated

Notes to the core financial statements

Capital commitments

As at 31st March 2019, the OPCC had entered into a number of contracts for the construction or enhancement of property, plant and equipment to be completed in 2019/20 and future years. The amounts are;

- Estates - a total of £4m - £1.7m of further expenditure on the New Property Store, which is due for completion in 2019. Force Headquarters Security Improvement Work (£725k). The refurbishment of Keyham Lane (£500k) and Force Headquarters Gym (£240k). The purchase and development of land at Coalville to provide a car parking facility (£334k).
- IT – a total of £4.5m on a range of investments in Information Technology.
- Other Corporate Projects of Custody CCTV Replacement £800k and Contact Management Department Refurbishment – Stage 2 Ergonomics £291k.

Effects of Changes in Estimates

There have been no changes in estimates.

Revaluations

The figures shown in the tables above include both upward and downward revaluations of tangible non-current assets. These movements are captured in either the revaluation reserve (balance sheet) or the *other comprehensive income and expenditure* section of the comprehensive income and expenditure statement. Refer to accounting policy A18 (note 41) for further information.

Assets under Construction

The additions include £2.9m of expenditure incurred on the New Property Store, which is due for completion during 2019.

As at 31st March 2019 we had 17 vehicles classed as Assets Under Construction as these had not been commissioned for operational purposes.

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

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

2017/18 £000		2018/19 £000
21,020	Opening capital financing requirement	23,152
	<i>Capital investment</i>	
4,129	Operational assets	4,687
2,869	Non-operational assets	5,662
	<i>Sources of finance</i>	
(675)	Capital receipts	(904)
(2,221)	Government grants & other contributions	(2,378)
-	Use of Government Grant Reserve	(2)
(443)	Revenue contribution	(3,887)
(1,527)	Revenue provision (incl. MRP)	(1,867)
23,152	Closing capital financing requirement	24,463
	Explanations of movements in year	
-	Increase/ (decrease) in underlying need to borrow (supported by government financial assistance)	-
2,132	Increase in underlying need to borrow (unsupported by government financial assistance)	1,311
2,132	Increase/(decrease) in capital financing requirement	1,311

Notes to the core financial statements

The figure shown above for capital expenditure during 2018/19 differs from the amounts shown as additions on (a) the intangible and (b) property, plant and equipment notes (notes 12 and 13 respectively). The figure can be reconciled as follows:

2017/18 £000		2018/19 £000
6,998	Capital expenditure for the year (as above)	10,349
(100)	Less: Revenue expenditure financed from capital resources under statute (REFCUS) in the year	(189)
6,898		10,160

Capital receipts of £904k have been received in the year and have been fully applied to finance capital investment in the year. The balance on the capital receipts reserve is zero.

15. Assets held for sale (Group & OPCC)

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

The last property to be disposed of was 'Old Hinckley Road'. The decision to sell this property and the subsequent completion occurred in the 2018/19 financial year.

All the properties identified in the Estates Review for disposal have now been sold and as at 31st March 2019 there were no Assets classified as held for sale.

2017/18 £000		2018/19 £000
789	Balance at the start of the year	-
(103)	Assets classified as held for sale: Property, plant & equipment	-
-	Revaluation losses	-
(686)	Assets sold	-
-	Balance at the end of the year	-

16. Debtors (Group & OPCC)

16.1 Long-Term Debtors

At the balance sheet date, nine car loans to employees were outstanding (2017/18 - 13). The loans are made to employees who are in posts who are designated as 'essential car users', the interest rate applicable to each loan is fixed to the Bank of England base rate and is not variable during the life of the loan.

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

16.2 Short-Term Debtors

31st March 2018			31st March 2019	
OPCC £000	Group £000		OPCC £000	Group £000
		Short-term debtors		
11,110	11,154	Central Government Bodies	13,017	13,051
5,183	5,194	Other Local Authorities	7,071	7,095
2,331	2,608	Other Entities and Individuals	2,509	2,552
18,624	18,956		22,597	22,698

Central government bodies (above) includes the Home Office pension fund top up grant of £8,186k (£6,095k in 2017/18)

Included within the Local authorities figures above are debtors in respect of the OPCC/Group's share of council tax collection fund debtors of £2,869k (£2,498k in 2017/18).

17. Cash & cash equivalents (Group & OPCC)

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

31st March 2018 £000		31st March 2019 £000
2,951	Bank accounts & petty cash	2,367
11,002	Cash investments (less than three months maturity)	12,002
(822)	Adjustment for cash & cash equivalents held on behalf of joint arrangements	(143)
13,131	Total cash & cash equivalents	14,226

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

18. Deferred liabilities (Group & OPCC)

31st March 2018 £000		31st March 2019 £000
(478)	Leicestershire County Council	(39)

The deferred liability represents sums borrowed from Leicestershire County Council (LCC) before April 1995 to finance police capital spending. This sum has been repaid to the LCC in annual instalments over 25 years from April 1995. The final repayment of £39k will be made in 2019/20.

19. Creditors (Group & OPCC)

31st March 2018			31st March 2019	
OPCC £000	Group £000		OPCC £000	Group £000
		Short-term creditors		
(248)	(3,495)	Central Government Bodies	(463)	(3,738)
(4,895)	(4,895)	Other Local Authorities	(3,950)	(3,950)
(87)	(87)	NHS Bodies	(151)	(151)
(4,602)	(8,803)	Other Entities and Individuals	(4,650)	(8,268)
(9,832)	(17,280)		(9,214)	(16,107)

Included within the local authorities figures above are creditors in respect of the OPCC/Group's share of council tax collection fund creditors of £2,266k (£1,846k in 2017/18)

Included within the other entities and individuals figure above are creditors in respect of employee accumulated absences £3,631k (£4,216k in 2017/18). Further details are found in Note 32 (Accumulated Absences Account).

20. Borrowing (Group & OPCC)

20.1 Long term Borrowing

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

31st March 2018 £000	<i>Maturity</i>	31st March 2019 £000
-	not more than 2 years	(1,723)
(2,830)	more than 2 years - not more than 5 years	(1,107)
(6,527)	more than 5 years - not more than 10 years	(6,527)
(3,042)	more than 10 years - not more than 15 years	(3,042)
-	More than 15 years	-
(12,399)		(12,399)

A significant proportion of the OPCC/Group's long-term borrowing – 25% matures more than 10 years after the balance sheet date. The maximum amount repayable in any one year is **£3.46m**.

20.2 Short term Borrowing

31st March 2018 £000		31st March 2019 £000
-	Short Term Loan - less than 1 year maturity	(10,000)
-	Interest Accrual on Short-term Loan < 1 year	(1)
(131)	Interest Accrual on PWLB < 1 year	(131)
(131)		(10,132)

The £10m short-term loan relates to a loan from Barnsley Metro Borough Council for 6 months with effect from 29th March 2019.

21. Financial instruments (Group & OPCC)

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

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

The PWLB borrowing has a fair value that is higher than the carrying amount. This is because borrowing with the PWLB is on the basis of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The fair value of PWLB borrowing has been calculated by reference to the "premature repayment" set of rates as at 31st March 2019.

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

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

31st March 2018		Group / OPCC	31 st March 2019	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
		Financial liabilities		
(12,399)	(16,208)	PWLB - long term borrowing	(12,399)	(16,178)

22. Provisions (Group & OPCC)

	Balance at 1 April 2018 £000	additional provisions made £000	amounts used £000	unused amounts reversed £000	Balance at 31 March 2019 £000
Civil claims	(472)	(1,065)	459	94	(984)
Total	(472)	(1,065)	459	94	(984)

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

Following the successful claims in Allard v Devon and Cornwall Police for unpaid overtime following recalls to duty by covert human intelligence handlers, in excess of 1500 claims have been made nationally. All litigated claims are being managed as a group through the High Court in London. It is proposed that test cases are litigated to establish principles of remuneration. The total cost of the claims will be dependent upon the principles established in the test cases. Leicestershire has identified when officers were on call and provisional costings have been calculated. These costs have now been provided for as there is no insurance indemnity for these claims.

23. Usable reserves (Group & OPCC)

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

31st March 2018		Note	31 st March 2019
£000			£000
(21,615)	Earmarked reserves	25	(18,663)
(488)	Capital grants and contributions unapplied	28	(486)
(6,000)	General fund		(6,000)
(28,103)	Total usable reserves		(25,149)

24. Unusable reserves (Group & OPCC)

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

31st March 2018	31st March 2018		Note	31st March 2019	31 st March 2019
OPCC £000	Group £000			OPCC £000	Group £000
(37,890)	(37,890)	Capital adjustment account	30	(42,614)	(42,614)
(6,033)	(6,033)	Revaluation reserve	29	(5,780)	(5,780)
(652)	(652)	Collection fund adjustment account	31	(604)	(604)
-	2,076,727	Pension reserve	26	-	2,282,561
15	4,216	Accumulated absences account	32	13	3,631
(44,560)	2,036,368	Total unusable reserves		(48,985)	2,237,194

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

Notes to the core financial statements

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

These reserves are earmarked for the specific purposes noted below:

Reserve name	Balance at 1 April 2017	transfers out 2017/18	transfers in 2017/18	Balance at 31 March 2018	transfers out 2018/19	transfers in 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Capital expenditure	(811)	218	(39)	(632)	290	(23)	(365)
Budget equalisation	(10,066)	1,358	(941)	(9,649)	4,011	(3,341)	(8,979)
PCSOs	(2,829)	633	-	(2,196)	2,196	-	-
Proceeds of Crime Act	(632)	119	(19)	(532)	76	(33)	(489)
Carry-forwards (specific)	(2,404)	2,253	(1,708)	(1,859)	1,650	(2,252)	(2,461)
Civil claims	(892)	-	(114)	(1,006)	50	-	(956)
Adult & Child Referral Centres	(297)	111	(70)	(256)	91	(28)	(193)
Fleet insurance	(140)	130	(130)	(140)	150	(210)	(200)
Equipment Replacement	(543)	140	(200)	(603)	164	(385)	(824)
DBS	(89)	-	-	(89)	-	-	(89)
Commissioning	(3,270)	1,709	(228)	(1,789)	175	(190)	(1,804)
Strategic Partnership Development Fund	-	894	(1,755)	(861)	751	-	(110)
Other	(69)	-	(21)	(90)	5	(5)	(90)
IOM Underspend	(193)	-	(1)	(194)	-	(42)	(236)
Subtotal : OPCC/Group (direct control)	(22,235)	7,565	(5,226)	(19,896)	9,609	(6,509)	(16,796)
Jointly Controlled Operations	(935)	238	(425)	(1,122)	572	(308)	(858)
Subtotal : OPCC/Group (incl. jointly controlled reserves)	(23,170)	7,803	(5,651)	(21,018)	10,181	(6,817)	(17,654)
Funds held on behalf of partners							
Operation Liberal	(178)	-	(15)	(193)	-	(180)	(373)
Regional collaboration	(414)	10	-	(404)	13	-	(391)
RSU Reserve	-	-	-	-	-	(245)	(245)
Grand total : OPCC/Group (incl. reserves held on behalf of partners)	(23,762)	7,813	(5,666)	(21,615)	10,194	(7,242)	(18,663)
movement in the year		2,147			2,952		

Capital expenditure

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

Budget equalisation

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

Police Community Support Officers (PCSOs)

The balance on this reserve has been transferred to the Budget Equalisation reserve.

Proceeds of Crime Act

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

Carry-forwards (specific)

This reserve includes those sums that the OPCC/Group has approved to carry forward to finance specific expenditure in 2019/20 and beyond.

Civil claims

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

Adult & Child Referral Centres

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

Fleet insurance

The excess on the vehicle insurance policy is **£100k**. The reserve is to meet the cost of claims that fall below this value.

DBS (Disclosure Barring Service previously Criminal Records Bureau)

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

Commissioning

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

Strategic Partnership Development Fund (SPDF)

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

Integrated Offender Management (IOM)

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

Joint & Controlled Reserves

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

- EMSOU (East Midlands Special Operations Unit including the Tactical Support Unit)
- EMSOU MC (East Midlands Special Operations Unit Major Crime)
- Regional Learning & Development
- Regional Occupational Health Service
- HR Shared Service Centre
- Regional Forensic Shared Services
- East Midlands Legal Services Unit
- Emergency Services Network (ESN)

Held on Behalf of Partners

Operation Liberal

Held to support a national project (co-ordinated by the OPCC/Group) intended to reduce distraction burglary. Responsibility for this reserve will transfer to the West Midlands Police during 2019/20.

Regional collaboration

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

Road Safety Unit

The Road Safety Unit (RSU), which incorporates the Safety Camera Scheme (SCS), is wholly funded by the Leicester, Leicestershire and Rutland Road Safety Partnership (LLRRSP). The funds represent the operational balance accrued.

26. Pensions reserve (Group & OPCC)

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

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

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

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

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

27. Defined benefit pension schemes (Group & OPCC)

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

Participation in pension schemes

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

The OPCC/Group participates in the following pension schemes:

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

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

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

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

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

Notes to the core financial statements

	Local Government Pension Scheme		Police Pension Schemes		Comprehensive Income & Expenditure Account	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	Group	Group	Group	Group	Group	Group
	£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:						
Home Office grant	-	-	(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 based on contribution rate	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

Notes to the core financial statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Police Pension Schemes		Balance Sheet	
	2017/18 Group	2018/19 Group	2017/18 Group	2018/19 Group	2017/18 Group	2018/19 Group
	£000	£000	£000	£000	£000	£000
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)

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

	Local Government Pension Scheme		Police Pension Schemes	
	2017/18 Group	2018/19 Group	2017/18 Group	2018/19 Group
	£000	£000	£000	£000
Opening fair value of scheme assets	188,593	203,557	-	-
Interest Income	4,982	5,591	-	-
Remeasurement gain/(loss)				
The return on plan assets; excluding the amount included in the net interest expense	3,619	5,965	-	-
Other (if applicable)	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	7,743	8,963	18,875	18,650
Employer Contributions (Top Up Grant)	-	-	26,394	31,263
Contributions from employees into the scheme	2,531	2,713	8,662	8,623
Benefits paid	(3,911)	(4,297)	(53,931)	(58,536)
Other (if applicable)	-	-	-	-
Closing fair value of scheme assets	203,557	222,492	-	-

Notes to the core financial statements

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
	Group	Group	Group	Group
	£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 (including curtailments)	(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 liabilities show the underlying commitments that the OPCC/Group has in the long run to pay for retirement benefits. The total net liability of £2,283m has a substantial impact on the net worth of the OPCC/Group as recorded in the balance sheet, resulting in a negative overall balance of £2,212m. However, the statutory arrangements for funding the deficit mean that the financial position of the OPCC/Group remains stable.

The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. With effect from 1st April 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 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 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 the OPCC for Leicestershire 2018/19

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 formers 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.

Notes to the core financial statements

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%

Notes to the core financial statements

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

Local Government Pension Scheme assets comprised

2017/18 Group	Fair Value of Scheme Assets	2018/19 Group
£000		£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

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

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

2017/18 £000		2018/19 £000
1,933	Amounts receivable in the year	1,757
(2,079)	Amounts applied to finance new capital investment in the year	(1,759)
(146)	Total increase / (decrease) in the year	(2)
634	Balance brought forward at 1 st April	488
488	Balance carried forward at 31st March	486

29. Revaluation reserve (Group & OPCC)

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

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

2017/18 £000		2018/19 £000
	Movements in unrealised value of non-current assets	
(3,054)	Gains on upward revaluation of non-current assets	(52)
22	Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services	360
(18)	Transfer to capital adjustment account in respect of non-current asset depreciation (on a revaluation gain)	(55)
-	Transfer to capital adjustment account in respect of residual gains held at the point of disposal of a non-current asset	-
(3,050)	Total movement on reserve in the year	253
(2,983)	Opening balance at 1st April	(6,033)
(6,033)	Closing balance at 31st March	(5,780)

30. Capital adjustment account (Group & OPCC)

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

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

2017/18	<i>(See note 1 for further details)</i>	2018/19
£000		£000
4,516	Charges for depreciation and amortisation of non-current assets	4,681
18	Amounts transferred from revaluation reserve in respect of depreciation/amortisation	55
2,115	Transfer from Comprehensive Income & Expenditure Statement in respect of non-current asset revaluations	(1,510)
-	Revaluation on non-current assets held for sale	-
100	Revenue Expenditure funded from Capital under Statute (REFCUS)	189
-	Transfer from revaluation reserve in respect of residual gains held at the point of disposal of a non-current asset	-
751	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	914
7,500	Net amount written-out of the cost of non-current assets consumed in the year	4,329
(443)	Capital expenditure charged against the general fund	(3,887)
(675)	Use of the capital receipts reserve to finance new capital expenditure	(904)
(2,221)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(2,378)
-	Application of grants to capital financing from the capital grants unapplied account	(2)
(929)	Revenue provision (including MRP)	(1,015)
(598)	Voluntary revenue provision for capital financing	(852)
-	Movements in the market value of investment properties charged to the Comprehensive Income & Expenditure Statement	(15)
(4,866)	Capital financing applied in year	(9,053)
2,634	Total movement during the year	(4,724)
(40,524)	Opening balance at 1 st April	(37,890)
(37,890)	Closing balance at 31st March	(42,614)

31. Collection fund adjustment account (Group & OPCC)

The collection fund adjustment account represents the OPCC/Group's share of the collection fund surplus/deficit held by each council tax billing authority within Leicestershire & Rutland. For 2017/18 and 2018/19, the breakdown of the figure on the OPCC/Group's balance sheet can be analysed as follows:

The OPCC/Group's collection fund adjustment account therefore has a credit balance (surplus) of **£604k** at 31st March 2019 (2017/18- credit balance of **£652k**).

2017/18 £000		2018/19 £000
(1,123)	Balance at 1st April	(652)
471	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	48
(652)	Balance at 31st March	(604)

32. Accumulated absences account (Group & OPCC)

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

During 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.

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

2017/18 OPCC £000	2017/18 Group £000		2018/19 OPCC £000	2018/19 Group £000
(31)	(3,768)	Balance at 1st April	(15)	(4,216)
31	3,768	Reversal of opening accrual made at the end of the preceding year	15	4,216
(15)	(4,216)	Amounts accrued at the end of the current year	(13)	(3,631)
16	(448)	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	2	585
(15)	(4,216)	Balance at 31st March	(13)	(3,631)

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

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

2017/18 OPCC £000	2017/18 Group £000		Note	2018/19 OPCC £000	2018/19 Group £000
(44)	(44)	Interest Received		(104)	(104)
697	697	Interest Paid		671	671
-	-	Dividends received		-	-
653	653			567	567

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

2017/18 OPCC £000	2017/18 Group £000		Note	2018/19 OPCC £000	2018/19 Group £000
(3,952)	(3,952)	Depreciation	13	(4,086)	(4,086)
-	-	Impairment and downward valuations		-	-
(564)	(564)	Amortisation	12	(595)	(595)
5	5	Increase/(decrease) in impairment bad debts		(13)	(13)
(111)	223	Increase/(decrease) in creditors/RIA		1,168	1,409
1,861	1,528	Increase/(decrease) in debtors/PIA		4,426	4,185
3	3	Increase/(decrease) in inventories		(81)	(81)
-	(58,575)	Movement in pension liability	2.1	-	(160,334)
(751)	(751)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		(914)	(914)
(2,000)	(2,465)	Other non-cash items charged to the net surplus or deficit on the provision of services		827	1,410
(5,509)	(64,548)			732	(159,019)

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

2017/18 OPCC £000	2017/18 Group £000		2018/19 OPCC £000	2018/19 Group £000
-	-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-	-
675	675	Proceeds from the sale of PP&E, investment property and intangible assets.	904	904
2,074	2,074	Any other items for which the cash effects are investing or financing flows	2,378	2,378
2,749	2,749		3,282	3,282

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

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

2017/18 OPCC £000	2017/18 Group £000		2018/19 OPCC £000	2018/19 Group £000
7,357	7,357	Purchase of Property, Plant and Equipment, Investment property and intangible assets	9,539	9,539
(675)	(675)	Purchase of short-term and long-term investments		
-	-	Other Payments for Investing Activities		
(2,240)	(2,240)	Proceeds from the sale of Property, Plant and Equipment, Investment property and intangible assets	(904)	(904)
		Proceeds from short-term and long-term investments	-	-
		Other receipts from investing activities	(2,404)	(2,404)
4,442	4,442	Total Investing Activities cash flows	6,231	6,231

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

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

2017/18 OPCC £000	2017/18 Group £000		2018/19 OPCC £000	2018/19 Group £000
372	372	Repayment of short/long term borrowing	(9,561)	(9,561)
372	372	Total Financing Activities cash flows	(9,561)	(9,561)

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

Events after the balance sheet date have been considered for inclusion in the accounts up to the authorised for issue 31st July 2019. No adjusting events have taken place to date.

37. Contingent liabilities (Group & OPCC)

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

The impact of the McCloud Judgement has been disclosed in Note 27 - 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 PCC will be required to fund the legal costs of former officers as well as those of the Chief Constable 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. Once a reliable estimate can be made it is likely that an earmarked reserve will be set up for this purpose.

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

In applying the accounting policies set out in Note 41 the OPCC/Group has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

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

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

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.

The note on Contingent Liabilities makes reference to the Independent Inquiry into Child Sexual Abuse (IICSA). It has been determined that given the absence of a reliable estimate of cost it should be considered for 2018-19 as a contingent liability as opposed to an earmarked reserve.

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

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

The items in the balance sheet at 31st March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the core financial statements

item	Uncertainty	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the OPCC/Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £25k for every year that useful lives had to be reduced.
Property, plant and equipment	Where there is no market-based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value. 75% of the net book value of the OPCC's buildings is valued on this basis. The DRC values are reset each year using the 'instant build' approach using the latest available indices. External valuers' are engaged to undertake the valuation.	The indices used in the calculation can fluctuate year on year based on local market conditions. During 2018/19 the value of the 'specialised' buildings decreased by £1.6m.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the OPCC/Group with expert advice about the assumptions to be applied. In addition, estimates have been included for additional benefits that are likely to become payable as a result of a legal challenge to pension transitional arrangements and changes to Guaranteed Minimum Pension (GMP). These estimates is based on a number of assumptions. (see Note 27 for further detail).	The effects on the net pension liability of changes in individual assumptions can be measured. Sensitivities are shown below. However, the assumptions interact in complex ways. During 2018/19, the OPCC's actuaries advised that the net pensions liability had increased by £206m as a result of experience, updating of the assumptions and past service costs.
Sensitivity of pension liabilities: Local Government Pension Scheme		
<i>Change in assumptions</i>		£000
0.5% decrease in real discount rate		45,080
0.5% increase in salary increase rate		8,382
0.5% increase in the pension increase rate		35,755
Sensitivity of pension liabilities: Police Pension Schemes		
<i>Change in assumptions</i>		£000
0.1% increase in real discount rate		2,108,759
1 year increase in member life expectancy		2,211,155
0.1% increase in inflation		2,196,224
0.1% increase in salary increase rate		2,159,580

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

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

- *Credit risk* – the possibility that other parties might fail to pay amounts due to the OPCC/Group
- *Liquidity risk* – the possibility that the OPCC/Group might not have funds available to meet its commitments to make payments

- *Market risk* – the possibility that financial loss might arise for the OPCC/Group as a result of changes in such measures as interest rates and stock market movements

Credit risk

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

The OPCC/Group follows a defined policy of only lending surplus cash resources to a limited list of banks / institutions. 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 Constable may authorise the write-off of unrecoverable amounts up to £10k. Amounts above £10k require the authorisation of the Chief Finance Officer for the OPCC.

To further mitigate the risk of customer credit default, the OPCC/Group makes a bad debt impairment each year. The impairment is equal to 0.07% of the total debtors value (2017/18 - 0.02 %). Further information concerning this impairment can be seen in Note 16.

Liquidity risk

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

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

Risk may arise should the OPCC/Group have to repay a significant proportion of its borrowing in any one financial year. This risk is limited by the fact that the OPCC/Group's PWLB debt portfolio has a spread of maturity dates across a number of financial years. For the maturity profile of the OPCC/Group's PWLB debt commitment, please see Note 20.1 - Long term borrowing.

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

Market risk

Interest rate risk

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

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

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

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

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

Price risk

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

Foreign exchange risk

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

41. Accounting policies used by the Group & OPCC

A1 General principles

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

The Statement of Accounts summarises the OPCC and Group transactions for the 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 OPCC/Group's accounting policies have been applied consistently over the current and comparative periods.

A2 Accruals of income and expenditure

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

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

settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

A3 Exceptional items

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

A4 Cash and cash equivalents

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

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

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

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

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

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

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

A6 Charges to revenue for non-current assets

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

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

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

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

The council tax income included in the Comprehensive Income and Expenditure Statement (CIES) is the OPCC's share of the accrued income for the year. However, regulations determine the amount of council tax that must be included in the OPCC's / Group's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Account and included as a reconciling item in the Movement in Reserves Statement.

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

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

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

A8 Employee benefits

Benefits payable during employment

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

These benefits include:

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

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

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

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

Termination benefits

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

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

Post-employment benefits

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

a) Police officers

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

b) Police staff

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

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

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

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

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

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

- Current Service Cost – the increase in liabilities as a result of one additional year of service earned this year – allocated the Comprehensive Income and Expenditure Statement.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

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

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

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

Discretionary benefits

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

A9 Events after the reporting period

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

Two types of events can be identified:

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

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

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.

A10 Government grants and contributions

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

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

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

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

A11 Intangible assets

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

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

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

A12 Inventories

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

Inventories are valued on the basis of average cost price.

A13 Investment property

Investment properties are those that are held solely to earn income and/or realise capital appreciation and are subject to revaluation at least every 5 years by the OPCC/Group's specialist valuers.

Investment properties are measured initially at cost and subsequently fair value, being the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Any change in the value of the investment property (together with any income or expenditure that is generated) is debited or credited to the *financing and investment income and expenditure* section of the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

A14 Jointly controlled operations

The OPCC/Group 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 OPCC/Group in conjunction with other joint operators involve the use of assets and resources of those joint operators

Adjustments have been made to the balance sheet to reflect the share of each jointly controlled operation's gross assets and liabilities controlled by the OPCC/Group as at 31st March 2019. Adjustments have also been made to the Comprehensive Income & Expenditure Statement to reflect the OPCC/Group's share of each jointly controlled operation's transactions during the year. These adjustments have no effect on the overall amount to be met from government grants and council tax. Further details are shown in Note 7

A15 Leases

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

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

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

The OPCC/Group as Lessee

Finance Leases

The PCC for Leicestershire has assessed its leases and the total value of potential finance leases are not significant, as no annual payments are made. Further detail is provided in Note 10.1

Operating Leases

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

The OPCC/Group as Lessor

Operating Leases

Where the OPCC/Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the

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

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

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

Where such an arrangement is deemed to constitute a lease, it is disclosed within the *leases* note in the financial statements (note 10 - Group Accounts).

A16 Overheads and Support Services

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

A17 Property, plant and equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- assets under construction – historical cost until completed, whereupon they will be valued and included in the Balance Sheet as operational assets.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Revaluation

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

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

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

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

Components

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

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The Code sets a number of specific criteria, all of which must be met for an asset to be deemed “asset held for sale”:

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

Where an asset meets these four criteria, it is revalued at fair value (existing use) and then transferred to the *assets held for sale* heading on the balance sheet. Assets held for sale are measured at the lower of (a) fair value (existing use) and (b) market value less disposal costs. Where the market value of an asset held for sale is deemed to have fallen below the current carrying value, the loss is charged to the Comprehensive Income & Expenditure Statement (“Other Operating Expenditure” line).

However, as this is not a charge permitted by statute against the general fund, a reconciling entry is made in the Movement in Reserves Statement to reverse the transaction to the Capital Adjustment Account.

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

Depreciation is not charged on assets held for sale.

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

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

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

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

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

A18 Capital receipts

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

A19 Provisions & Contingent Liabilities

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the OPCC/Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a

provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are disclosed in a note to the accounts (Note 37 - Group Accounts).

A20 Reserves

The OPCC/Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the

Statement of Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

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

A21 Revenue expenditure funded from capital under statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

A22 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.

A23 Fair Value Measurement

The OPCC/Group measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The OPCC/Group measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the OPCC/Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The OPCC/Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the OPCC/Group can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

Introduction

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

The fund receives income each year from:

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

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

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

2017/18 £000		2018/19 £000
(13,569)	Contributions receivable:	
(1,157)	OPCC/Group	
(8,662)	■ employer's contributions	(13,560)
	■ early retirements	(838)
	■ 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
6,095	Current assets	
	Contributions due from the OPCC/Group	8,186
-	Current liabilities	
	Unpaid pensions benefits	-
6,095		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 is 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 OCC through the Intra-Group funding. The fund does not hold any investment assets and follows the accounting policies of the OPCC/Group.

Note 2

Details regarding the accounting policies are detailed within note 41 and A8, notes to the core financial statements.

Note 3

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

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

Note 4

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

However, the Group 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.

Introduction

In the financial year 2018-19, the implications of the Police Reform and Social Responsibility Act 2011 continued for the two corporations' sole of the Office of the Police and Crime Commissioner (OPCC) and the Office of the Chief Constable (OCC). The year was the third year of Lord Willy Bach's term in office and the paragraphs below detail the governance and assurance arrangements that have been in place throughout the year.

1) Scope of Responsibility

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

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

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

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

2) The Purpose of the Governance Framework

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

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

The Corporate Governance Framework was developed in 2013/14, was considered by the Joint Audit Risk and Assurance Panel (JARAP) and reviewed in March 2014 to incorporate the changes required under Stage 2 Transfer arrangements.

3) The Governance Framework

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

- The Corporate Governance Framework;
- A Risk Management Strategy;
- An Annual Governance Statement produced by the OPCC and the OCC;
- A Regional Governance Statement;
- 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 Police and Crime Plan for 2017-21 which sets out the priorities for the Chief Constable to deliver against. A link to the document is contained here:

<https://www.leics.pcc.police.uk/DOCUMENT-LIBRARY/Planning-and-Money/Police-and-Crime-Plan/2017-2021/Police-and-Crime-Plan-2017-2021.pdf>

- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan. Supported by the PCC attending the Performance Delivery Group (PDG), the Crime and Operations Effectiveness meeting as well as reviewing Performance Reports at the Strategic Assurance Board;
- Comprehensive budgeting systems that seek to align resources with priorities;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action or highlight reinvestment opportunities;
- Effective risk management strategies, registers, action plans and tactics;
- A Commissioning Framework to 31 March 2019 which detailed the approach to engagement with partners and to commissioning appropriate outcomes through third party providers;
- A Commissioning Framework developed for 2018-21 to support the delivery and priorities of the Police and Crime Plan.
- Engagement in value for money benchmarking such as is conducted by Her Majesty’s Inspectorate of Constabulary (HMICFRS);
- A well-researched and coherent Corporate Governance Framework that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriate statutory officers within both the OPCC and OCC, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- Codes of Conduct and standards of behaviour clearly set out in governance documents with the former being signed by the PCC;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC;
- Internal Audit team where the plan and therefore resources are directed towards risk and emerging issues; and where the plan is shaped by both the OPCC and the OCC;
- External reviews and inspections carried out by Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) which inform the PCC and the CC and highlight risks and learning points in addition to good practice.
- An Ethics, Integrity and Complaints Committee to align the work of the JARAP and the Committee for optimum benefit moving forwards;
- Regular reviews and updates on Regional Collaboration are discussed at the East Midlands PCC and CC Board who meet bi-monthly.

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

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

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

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

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

Principle B: Ensuring openness and comprehensive stakeholder engagement

All agendas, papers and meetings of the JARAP and Ethics, Integrity and Complaints Committee and the Police and Crime Panel are contained on the respective websites. All of these meetings are open to the public.

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

Detailed financial information is included on the police force's website which details every expenditure transaction over £500.

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

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

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

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

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

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

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

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

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

Principle E: Developing Capacity and Capability

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

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

Principle F: Managing Risks and Performance

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

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

In this last financial year the Office of the PCC has employed a new Performance Manager who is provided a greater level and depth of scrutiny to the performance information provided by the Force.

The PCC and CC have a joint Risk Management Policy and manage and record risks in the same manner, through the same system. These risks are reviewed regularly and considered at every JARAP meeting. Over the last year the Strategic Organisation Risk Board has been re-invigorated and takes a greater role in effectively managing risks being faced by the force and the OPCC and reports up to JARAP on a regular basis with their findings.

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

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

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

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

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

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

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

5) Review of Effectiveness

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

The Office of the Police and Crime Commissioner (OPCC) was subject to the continued implementation of the new staffing structure that was agreed in 2017-18. There were a number of vacancies within the structure in the first half of 2018-19 but the majority of the posts were filled by this point. The team has been bedding down over the year but the staffing risk raised in last year's annual governance statement is now much reduced.

The OPCC and OCC continued to invest in an Internal Audit programme in 2018-19 which continued to give assurance under the arrangements for the two corporation soles. These ensured specific local audits on:

The OPCC for Leicestershire
2018/19

Annual Financial Report

- 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 or specific assignments 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 include 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, 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.

6) Significant Governance Issues and Actions

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

In 2018-19 our internal auditors, Mazars, carried out 16 audits and as detailed on the table earlier none of them 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.

HMICFRS Inspections and Force Performance

In May 2019 HMICFRS issued their latest 'Police effectiveness, efficiency and legitimacy (PEEL) inspection for the financial year 2018-19. The inspection looks at the effectiveness, efficiency and legitimacy of the force and provides a judgement using the following assessment:

- Outstanding
- Good
- Requires improvement
- Inadequate

The inspection delivered the following results for Leicestershire Police:

- 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>

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 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 OPCC 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.



Lord Willy Bach
Police and Crime Commissioner

18th July 2019



Paul Hindson
Chief Executive, OPCC

18th July 2019

Martin Henry
Chief Finance Officer, OPCC

18th 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.

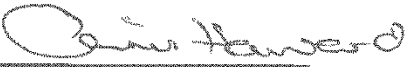
A budget is approved each year at the EMPCC/CC's Board which defines the expenditure targets for each area of policing within regional collaboration. Each force actively supports the budget allocation and sets its own precept accordingly.

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 POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE

Opinion

We have audited the financial statements of the Police and Crime Commissioner (PCC) for Leicestershire for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Leicestershire and Group Movement in Reserves Statements;
- Police and Crime Commissioner for Leicestershire and Group Comprehensive Income and Expenditure Statements;
- Police and Crime Commissioner for Leicestershire and Group Balance Sheets;
- Police and Crime Commissioner for Leicestershire and Group Cash Flow Statements;
- Police and Crime Commissioner for Leicestershire Pension Fund Account Statements and notes 1 to 4; and
- Related notes 1 to 41.

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 Police and Crime Commissioner for Leicestershire and Group 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 Police and Crime Commissioner for Leicestershire and Group 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" pages 1 to 7, 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 Police and Crime Commissioner 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 to you if:

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

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the “*Statement of Responsibilities for the Statement of Accounts*” set out on page 8, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 Police and Crime Commissioner’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 Police and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor’s responsibilities 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 PCC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 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 PCC 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 Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

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

Use of our report

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

NEIL A. HARRIS Date: 16TH September 2019

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

The maintenance and integrity of the Police & Crime Commissioner for 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 OPCC/Group's plans in financial terms. A budget is prepared and approved by the OPCC/Group prior to the start of each financial year.

Capital expenditure

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

Capital financing requirement

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

Capital grant

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

Capital receipts

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

CIPFA

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

Commuted lump sums

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

Contingent liabilities

A contingent liability is either:

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

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

Corporate and democratic core

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

Creditors

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

Current service cost (Pensions)

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

Debtors

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

Deferred liabilities

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

Defined benefit scheme

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

Depreciation

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

Financial regulations

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

Financial year

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

Formula spending share

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

Impairment

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

Investment property

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

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:-

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

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

Liquid resources

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

Minimum revenue provision

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

Net book value

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

Non-current assets

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

Non distributed costs

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

Past service cost (pensions)

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

Precept

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

Public Works Loan Board (PWLB)

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

Receipts and payments

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

Unusable reserves

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

Usable reserves

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