

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

**DRAFT
Annual Financial Report**

2020/21

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Narrative Report by the Chief Finance Officer

These accounts set out the overall financial position of the Chief Constable (CC), who is responsible for the Leicestershire Police Service, for the year ended the 31st March 2021.

The accounts for 2020/21 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority. This Code of Practice is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

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

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

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

For accounting purposes the OPCC and the Office of the Chief Constable together are known as the OPCC group. A separate set of statutory accounts has been published for the OPCC and the OPCC Group to recognise all the financial transactions incurred during 2020/21 on policing activities.

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

The financial report comprises two elements:

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

The Statement of Accounts

The purpose of the Statement of Accounts is to provide clear information to readers on how the OCC has utilised available financial resources based on International Financial Reporting Standards (IFRS). This document provides details of the comprehensive income and expenditure for the financial year 2020/21.

All of the assets, liabilities and reserves were transferred to the OPCC during the first phase of transition and have remained under the OPCC's control during 2020/21. The OPCC receives all income and funding and makes all payments for the Group from the OPCC Police Fund.

With effect from 1 April 2014, under the Police Reform and Social Responsibility Act 2011 the contracts of employment for the majority of police staff transferred to the CC.

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

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

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

The core financial statements:

The presentation of the 2020/21 Financial Statements reflects the new reporting formats introduced by the 'Code' in 2016/17. An 'Expenditure and Funding Analysis' is now included in the notes.

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

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

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

Movement in Reserves Statement

This summarises the movements to and from the reserves for the year 2020/21. This shows the unusable reserves held by the Chief Constable.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow statement

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

Notes to the core financial statements

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

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

The supplementary financial statements:

Pension fund account

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

Non-audited supplementary documents

Narrative Report

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

Statement of responsibilities

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

Annual governance statement

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

Overview of 2020/21

The 2019 grant settlement announced that Leicestershire's core funding for 2020/21 would increase by £7.95m to £122.5m. The additional funding made available was to meet the year one salary costs and three year infrastructure costs of the Government's 20,000 police officer uplift programme 2020 to 2023. It was confirmed that Leicestershire Police's share of this would be 89 officers during 2020/21. In addition, a specific grant of £2.5m was allocated if the government's recruitment targets were achieved. This has been received.

The precept referendum threshold was confirmed at £10 for a Band D property and the council tax increased to £233.23 for Band D property, to ensure that police spending was protected and make further significant investments in policing services.

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

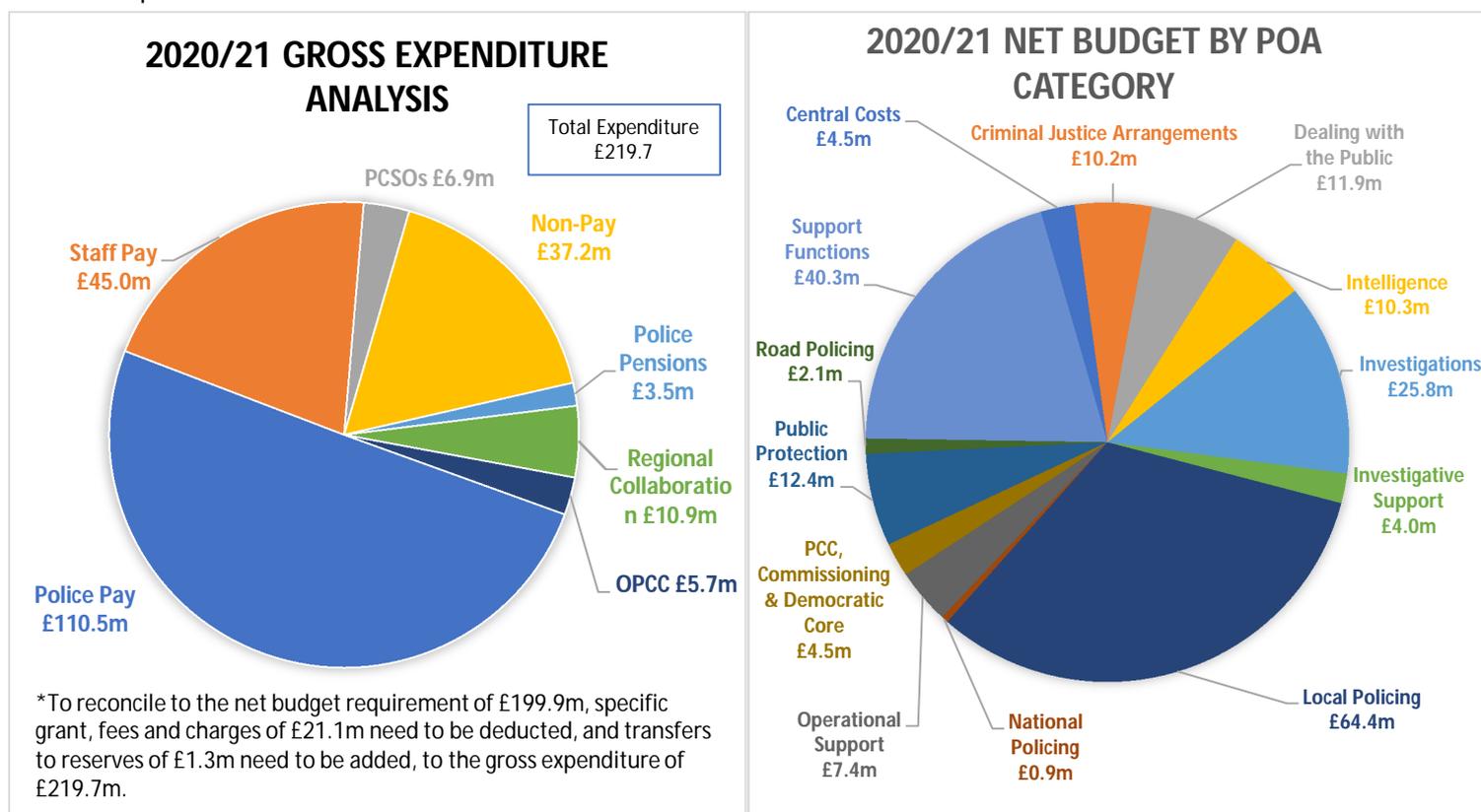
The Commissioner was briefed on the current and emerging operational challenges, both nationally and locally by the Chief Constable and the PCC allocated additional funding for the following priorities:

- 100 additional officers to be recruited during 2020/21 in addition to the 107 delivered through his 2019/20 budget and the 89 expected to be delivered as part of year one of the Government's 20,000 officer uplift programme. This increased the overall full time equivalent (FTE) officer numbers to 2,104 by March 2021.
- Infrastructure investment costs in relation to the increase in officer numbers estimated at £1.5m funded through the increase in core grant in line with Home Office expectations (this includes a number of police staff posts).
- An increase Police Community Support Officer (PCSO) numbers of 20 to 201 FTEs by March 2021.

The OPCC sets the annual budget for the OCC in consultation with the CC. A net annual revenue budget for 2020/21 of £199.9m was set for the service as a whole, an increase of 6.8% over 2019/20. £195.8m was managed by the CC with the remaining £4.1m (net of grants and transfers from reserves) relating to the costs of the OPCC (£1.2m) and commissioning activities (£2.9m).

Narrative Report by the Chief Finance Officer

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



Performance against budget

The Office of the Chief Constable for Leicestershire balanced its 2020/21 budget, after the transfer of funds to earmarked reserves of 2.4m to meet future commitments in 2021/22.

This was attributable to:

- An overspend on police pay and allowances of £0.390m due to changes in the rank structure, additional transferees, changes to Police Officer Pay and Conditions extending maternity and adoption pay from 18 to 26 weeks, the increased cost of National Insurance due to higher overtime expenditure incurred as a result of COVID 19, higher levels of expenditure on police officer allowances including on-call and unsocial hours and a reduction in seconded officers income.
- An underspend on corporate budgets of £0.317m attributable to savings on the fuel budget due free fuel provided by BP for emergency services, an underspend in the utilities budget, PCSOs due to the number of staff in post being below the budgeted establishment throughout the year as police officer recruitment has increased, ill health retirement costs being slightly higher than the budget, the unbudgeted cost of the arrears associated with the injury award review, delays in the implementation of investment proposals and projects offset by additional expenditure on Force priorities.
- An underspend of £0.160m on policing functions provided regionally.
- A net overspend of £0.087m in the delegated budgets as a result of increased police overtime costs to meet demand and unbudgeted expenditure in the Business Support departments on police staff salary costs, additional costs of vehicle parts, equipment maintenance and under achievement of income.

During the year, the Chief Constable received specific grant from the Home Office to tackle serious violence crime (£0.9m).

As the resources are consumed by the OPCC at the request of the OCC the revenue underspend occurs in the OPCC/Group accounts and the £2.4m to meet future commitments has been transferred to the Carry Forward Reserve.

Impact of COVID 19

The coronavirus outbreak was declared a global pandemic by the World Health Organisation on 11th March 2020 however, the full impact on the UK and world economy was not felt until the financial year 2020/21. All organisations have had to adapt how they work to maintain essential services and safeguard their employees wherever possible. The OPCC/Group has adapted along with its partners to continue to keep communities safe in these challenging times.

The restrictions put in place within the United Kingdom in response to Covid-19 created issues for police forces in terms of policing the government lockdown policy in addition to continuing normal policing functions. This resulted in additional costs in terms of overtime and providing personal protective equipment (PPE) to operational police officers and staff. The OPCC/Group also lost income due to the restrictions in place.

The costs and savings associated with Covid-19 were monitored, tracked and reported to Chief Officers and the PCC throughout 2020/21 on a regular basis, including in the monthly revenue monitoring reports.

The Home Office also collected information, on a monthly basis, from all 43 forces in England and Wales in respect of their additional Covid-19 costs and savings. As a result the Home Office and Treasury announced a number of support packages for Police Forces during 2020/21 including:

- Grant to cover the cost of both medical and non-medical graded PPE equipment purchased directly by the Force (£384k)
- a scheme to reimburse Force's for loss of income due to covid-19 similar to local government (£864k)
- surge funding to assist with the cost of patrolling the government's restrictions from October onwards (£446k)
- Additional funding for COVID 19 enforcement and wider pressures (£862k).

In total grants of £2.6m were received to meet the Force's additional expenditure and loss of income and there was no requirement to draw down on reserves to fund the additional cost pressures associated with Covid.

All PPE equipment is provided through a national agreement / service with minimal local expenditure now being incurred. The stock at the 31st March is being accounted for by Thames Valley Police.

The financial implications for the wider economy as a whole continue to threaten future funding levels for the service, including the additional funding associated with the increase in officer numbers. Council Tax funding will be reduced by the level of unpaid council tax and reduction in house building etc. Government funding will obviously be under severe strain and existing departmental plans will be revisited. The plans for a multi-year CSR settlement from 2021/22 were postponed and only a 1 year settlement received. It is hoped that a 3 year settlement will be received for 2022/23 onwards to enable the Force to make longer term financial plans.

Operational Performance

Since March 2020 the Covid-19 pandemic has brought new and additional demands to operational policing including the requirement to police over 300 different COVID-19 related regulations, respond to nearly 30,000 additional Covid-19 related incidents and give over 3,000 fixed penalty notices to enforce the regulations.

Covid-19 also required Leicestershire Police and partners to rapidly accelerate the use of technology to maintain community safety and engagement. This has included moving partner and community meetings online, expanding use of our messaging service Neighbourhood link to maintain engagement with our communities as well as increasing the scope for victim statements to be taken remotely.

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) praised our response to the pandemic in a number of areas including the fact that our community surveys showed 80% of those surveyed thought the police response had been excellent or good.

Despite the exceptional challenges presented by Covid-19 the force has not only maintained a good service to the people of Leicester, Leicestershire and Rutland but has improved the delivery of operational policing by implementing a new target operating model on March 11th, 2020. The early assessment of the impact of this new model is positive with measures showing improved public service outcomes including:

- An increase in 101 calls being answered within 60 seconds from 61.6% in 2019-20 to 83.1% in April 2021.

Narrative Report by the Chief Finance Officer

- Average response times for emergency incidents reducing from 22 minutes 46 seconds in 2019/20 to 19 minutes 0 seconds in 2020/21.
- Positive crime outcomes improving 12.8% in the year to 17/03/20 to 14.9% in the year to 17/03/21.
- Overall victim satisfaction improving from 75.5% in January 2019 to 84.9% in May 2021.
- 75% of respondents to our January 2021 Neighbourhood Link survey reporting that we did a good or excellent job which was an improvement of 3% since May 2020.

Overall crime in Leicester, Leicestershire and Rutland decreased in 2020-21 due to the effect of the Covid-19 pandemic. There were significant reductions seen in burglary (-39.4%), theft (-29%), theft of motor vehicle (-29.5%), theft from motor vehicle (-45.4%) and violence without injury (-34.9%).

Whilst it is not possible to fully attribute these reductions to the effect of the pandemic and social restrictions, it is believed that the closure of the night time economy, retail outlets, hospitality, daily migration into urban areas and the presence of people within their own homes throughout the day has played a significant factor. Therefore, the post-Covid-19 unlocking of social restrictions is expected to see crime demand return to pre-March 2020 levels.

On top of this the force will need to continue to respond to long term growth in reports related to public safety and safeguarding including a 6.5% increase in missing persons reports since 2017 (on a typical day we deal with 13 missing from home reports) and domestic abuse crime and incidents increasing by 10.8% between the year March 2020 to February 2021 compared to the same period in the previous year (on a typical day we deal with 56 domestic incidents or crimes).

The Force has identified that its biggest challenge and opportunity is a once-in-a-generation turnover of staff and officers in the next four years (estimated at 42%). A vigorous, diverse and proactive recruitment programme of new officers, combined with the departure of officers at end of service, is changing the capability and make-up of the Force. The national recruitment drive has accelerated the Force's progress to being more representative of the people it serves. A recent public commitment to one in four new starters being from a Black or Minority Ethnic background adds further momentum to strong work underway, alongside other positive action to encourage people from under-represented groups to the Force.

HMICFRS PEEL Inspection

The last integrated PEEL (Police Effectiveness Efficiency and Legitimacy) assessment undertaken by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) was during 2018/19. The detailed report can be viewed on the HMICFRS website.

The overall judgements were:

- How effectively does the force reduce crime and keep people safe? **GOOD**
- How efficient is the force at keeping people safe and reducing crime? **GOOD (previously 'requires improvement')**
- How legitimate is the force at keeping people safe and reducing crime? **GOOD**

The judgments from the reports were:

Effectiveness

Leicestershire Police is good at reducing crime and keeping people safe.

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

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

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

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

Narrative Report by the Chief Finance Officer

Efficiency

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

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

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

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

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

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

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

Legitimacy

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

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

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

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

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

Reserves

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

Capital spending

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

A total of £8.8m was spent on improving the estate, investing in information technology and the vehicle fleet. This was funded by a combination of internal borrowing, grant, third party income and revenue contributions. This capital spending resulted in non-current asset additions of £8.759m with £0.078m 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 2020/21. Outstanding external debt at the year-end was £10.7m (excluding accruals for interest payable).

The 'Estates' projects undertaken include:

- Refurbishment of the Dog Section (offices and kennels) & canteen kitchen to meet the latest health and safety requirements
- alterations to the Front Enquiry desk at Loughborough
- an extension to the SARC (sexual assault referral centre) to provide additional space
- the replacement of the heating and ventilation system in the Learning and Development building.

Narrative Report by the Chief Finance Officer

The IT programme includes:

- Investment in the data network and storage to ensure network performance and support new services.
- The completion of the migration to Office 365 cloud service as part of the National Enabling Programme (NEP)
- Investment in the internet capability to support the Force's cloud delivery strategy for the provision of information systems and services.
- Completion of the smartphone fleet to facilitate the on-going use of agile services.
- Provision for the on-going development of Pronto.
- The continuation of investment in the personal computer estate to support agile working.

Capital expenditure has also been incurred on the rolling programme of ANPR camera replacements and planned replacements of the existing vehicle fleet.

No properties were disposed of during 2020/21.

Retirement Benefits

Accounting for Retirement Benefits in the 2020/21 Statement of Accounts has resulted in a pension liability of £2,730m compared to £2,295m in 2019/20. The increase in the liability is primarily due to the actuarial losses arising from changes in the financial assumptions offset by an increase in the value of assets in the Local Government Scheme.

The pension liability includes provision for the potential impact of:

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

The decisions of the Court of Appeal in the Sargeant / McCloud cases have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement are needed and on the 4th February 2021, HM Treasury issued their response to the earlier issued consultation document.

The accounting figures for 2021 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken in 2018/19. More detail regarding the McCloud and GMP issues is provided in note 27.

The police officer pension scheme liability is £2,573m with the balance relating to the Local Government Pension Scheme (LGPS).

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

Outlook for 2021/22

The December 2020 grant settlement announced that Leicestershire's core funding for 2021/22 would increase by £7.2m. This is intended to meet the year two salary costs and three year infrastructure costs of the Government's 20,000 police officer uplift programme 2020 to 2023. It was confirmed that Leicestershire Police's share of this will be 88 officers during 2021/22. The final year allocation for 2022/23 is yet to be confirmed. In addition, a specific grant of £1.5m has been allocated if the government's recruitment targets are achieved.

The PCC also acknowledged the assumption contained within the settlement that the precept could increase locally by £15.00 in 2021/22, to ensure that police spending is protected and make further significant investments in policing services.

The Commissioner also decided that he would utilise some of the local precept flexibility to allow for the recruitment of a further 50 additional police officers during 2021/22 to further enhance policing services across the area.

Narrative Report by the Chief Finance Officer

Other investment items totalling £2m are contained within the budget proposals for 2021/22 and beyond. This includes additional police staff posts and supporting organisational infrastructure, deemed essential to deliver both service transformation and to support the growth in officer numbers.

Against this background, the PCC set 2021/22 net revenue and capital budgets of £212.6m and £8.5m respectively. A precept of £248.23 for a Band D property was set for the year, an increase of £15.00 (6.4%) over 2020/21.

Whilst the funding made available to the Police and Crime Commissioner increased during 2020/21 and 2021/22 there remains a high degree of uncertainty about future levels of funding for local government. This uncertainty has increased due to the global Covid-19 pandemic. The OPCC/Group has adapted along with partners to keep communities safe in these challenging times. Any additional costs being incurred during 2021/22 due to Covid-19 are being monitored. However, these are significantly lower than 2020/21 now that national and local restrictions have been eased and subsequent enforcement patrols have been scaled back. The Home Office has advised that it is unlikely that any additional funding will be made available for 2021/22 but continues to collate Covid related costs from the 43 forces.

Organisational Risks

When the budget for 2020/21 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
- Employment claims in respect of unlawful discrimination arising from the transitional provisions in the Police Pension Regulations 2015.
- The Emergency Services network
- 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-2021-2022.aspx>

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

- Diminished CSI Capacity
- Capacity within I.T. to support and enable digital transformation
- Inability to meet regional Occupational Health demand
- Risk of staff being exposed to COVID virus due to work activities
- Churn of staff and ongoing establishment pressure
- Management of geographical information
- Pension remedy for police pension scheme
- Current JES non-equalities compliant and the implementation of new JES scheme carries risk
- Reputational risk to the force due to delays in the Criminal Justice system
- Complying with Home Office Counting Rules & ensuring high levels of crime data integrity



Paul Dawkins
Chief Finance Officer
30th July 2021

The Chief Constable's responsibilities

The CC is required to:

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

Chief Constable's approval

The Statement of Accounts for the year to 31st March 2021 has been prepared and were approved at the Joint Audit, Risk Assurance Panel (JARAP) on xxx

The Chief Finance Officer's responsibilities

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

In preparing this Statement of Accounts the CFO has:

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

The CFO has also:

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

Chief Finance Officer's certification

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Office of the Chief Constable for Leicestershire at the reporting date and of its income and expenditure for the year ended 31st March 2021.

Paul Dawkins
Chief Finance Officer
xxxxxx 2021

Comprehensive Income & Expenditure Statement

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

2019/20				Note	2020/21		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
236,948	(21,008)	215,940	Policing Services		249,836	(23,665)	226,171
95	-	95	Corporate & Democratic Core		102	1	103
57	-	57	Non-Distributed Costs	14	(948)	-	(948)
237,100	(21,008)	216,092	Cost of services	2	248,990	(23,664)	225,326
-	(210,780)	(210,780)	Other operating expenditure		(223,048)	-	(223,048)
56,432	-	56,432	Financing and investment income & expenditure	3	52,218	-	52,218
293,532	(231,788)	61,744	(Surplus) or deficit on provision of services		78,160	(23,664)	54,496
		(48,973)	Actuarial (gains) / losses on pension assets/liabilities	13			381,072
		(48,973)	Other comprehensive income & expenditure				381,072
		12,771	Total comprehensive income & expenditure				435,568

Balance Sheet

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

31st March 2020 £000		Note	31st March 2021 £000
19	Non-current assets Long term debtors	9	14
19	Total long term assets		
100	Current assets Short term debtors	9	133
3,524	Inter – Group Debtor		3,755
3,624			3,888
(7,845)	Current liabilities Short term creditors	10	(8,715)
-	Inter – Group Creditor		(8,715)
(7,845)			(4,827)
(4,221)	Net current assets		
(2,294,748)	Long term liabilities Liability related to defined benefit pension schemes	14	(2,729,705)
(2,294,748)			(2,729,705)
(2,298,950)	Net assets / (liabilities)		(2,734,518)
2,298,950	Unusable reserves	12	2,734,518
2,298,950	Total reserves		2,734,518

Certification

The draft financial statements on pages 1 to 59 were authorised for issue on the 30th July 2021.



Statement of Movement in Reserves

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

2020/21	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000
Balance at 31 March 2020	-	-	2,298,950	2,298,950
Movement in reserves during 2020/21				
Surplus or deficit on the provision of services	54,496	54,496	-	54,496
Other Comprehensive Income and Expenditure		-	381,072	381,072
Total Comprehensive Income and Expenditure	54,496	54,496	381,072	435,568
Adjustments between accounting basis and funding basis under regulations	(54,496)	(54,496)	54,496	-
Net Increase or Decrease before Transfers to Earmarked Reserves	-	-	435,568	435,568
Transfers to/from Earmarked Reserves	-	-	-	-
Increase or Decrease in 2020/21	-	-	435,568	435,568
Balance at 31 March 2021	-	-	2,734,518	2,734,518

2019/20	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000
Balance at 31 March 2019	-	-	2,286,179	2,286,179
Movement in reserves during 2019/20				
Surplus or deficit on the provision of services	61,744	61,744	-	61,744
Other Comprehensive Income and Expenditure		-	(48,973)	(48,973)
Total Comprehensive Income and Expenditure	61,744	61,744	(48,973)	12,771
Adjustments between accounting basis and funding basis under regulations	(61,744)	(61,744)	61,744	-
Net Increase or Decrease before Transfers to Earmarked Reserves	-	-	12,771	12,771
Transfers to/from Earmarked Reserves	-	-	-	-
Increase or Decrease in 2019/20	-	-	12,771	12,771
Balance at 31 March 2020	-	-	2,298,950	2,298,950

Cash Flow Statement

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

2019/20 £000		Note	2020/21 £000
61,744	Net (surplus) or deficit on the provision of services		54,496
(61,744)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	16.1	(54,496)
-	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		
-	Net cash flows from operating activities		-
-	Investing activities		-
-	Financing activities		
-	Net (increase) or decrease in cash and cash equivalents		-
-	Cash and cash equivalents at the beginning of the reporting period		-

1. Adjustments between accounting basis and funding basis under regulations

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

2020/21	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(53,885)	53,885
Holiday pay (transferred to the Accumulated Absences reserve)	(611)	611
Total Adjustments	(54,496)	54,496

2019/20	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(61,160)	61,160
Holiday pay (transferred to the Accumulated Absences reserve)	(584)	584
Total Adjustments	(61,744)	(61,744)

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.

2019/20			CC	2020/21		
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	Notes	£000	2.1 £000	£000
179,775	36,165	215,940	Policing Services	192,121	34,050	226,171
95	-	95	Corporate & Democratic Core	103	-	103
-	-	-	Commissioning	-	-	-
-	57	57	Non-Distributed Costs	-	(948)	(948)
179,870	36,222	216,092	Net Cost of Services	192,224	33,102	225,326
(179,870)	25,522	(154,348)	Other Income and Expenditure	(192,224)	21,394	(170,830)
-	61,744	61,744	Surplus or Deficit on Provision of Services	-	54,496	54,496
			Opening Combined General Fund Balance			
-			Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	-		
-			Closing Combined General Fund Balance		-	

2.1 Note to Expenditure and Funding Analysis

	2020/21				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	7,189	28,397	(1,536)	-	34,051
Corporate & Democratic Core	-	-	-	-	-
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	(948)	-	-	(948)
Net Cost of Services	7,189	27,449	(1,536)	-	33,102
Other Income and Expenditure	(7,189)	26,436	2,147	-	21,394
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	-	53,885	611	-	54,496

Notes to the core financial statements

	2019/20				
	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Statutory Adjustments £000	Other Differences £000	Total Adjustments £000
Policing Services	6,342	30,822	(999)	-	36,165
Corporate & Democratic Core	-	-	-	-	-
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	57	-	-	57
Net Cost of Services	6,342	30,879	(999)	-	36,222
Other Income and Expenditure	(6,342)	30,281	1,583	-	25,522
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	-	61,160	584	-	61,744

2.2 Expenditure and Income Analysed by Nature

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

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

2019/20 Outturn £000		Note	2020/21 Outturn £000
106,068	Police officer pay and allowances		114,989
54,951	Police staff pay and allowances		59,316
3,237	Police pensions		3,588
30,822	IAS 19 Current Cost Adjustment (pensions)	14	28,397
1,509	Other employees expenses		1,043
5,863	Premises		5,409
3,394	Transport		3,127
18,312	Supplies and services		19,027
5,537	Agency and contracted services		6,182
229,693	Total Expenses		241,078

2019/20 £000	Grant Income	2020/21 £000
	Credited to services:	
-	Covid-19 Grant	(2,557)
(2,825)	Dedicated Security Grant	(2,746)
(462)	Special Operations	(421)
(1,400)	Serious Violent Crime Initiatives	(915)
(819)	Proceeds of Crime Act/Incentivisation	(827)
(1,903)	Police Pensions Grant	(1,903)
(428)	Police Uplift Programme Grant	(2,498)
(827)	EMSOU (22.9% Share)	(997)
(530)	Others	(701)
(9,194)	Total	(13,565)

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

3. Financing and investment income & expenditure

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

2019/20 Outturn £000		Note	2020/21 Outturn £000
56,432	Pensions net interest cost	14	52,218
56,432			52,218

4. Officers' remuneration

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

2020/21	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£	£	£	£
				Note 1	Note 2		
The Office of the CC							
Chief Constable – Mr Simon Cole		155,101	-	-	-	-	155,101
Deputy Chief Constable		127,950	-	-	-	-	127,950
Assistant Chief Constables:							
Senior Police Officer N		118,009	-	3,376	5,027	36,583	162,994
Senior Police Officer O		112,874	-	-	3,475	33,429	149,778
Senior Police Officer P		106,447	-	2,633	5,027	28,153	142,260
Assistant Chief Officers:							
Finance & Resources	4	108,156	-	-	5,542	24,660	138,357
Human Resources		88,410	-	-	5,527	20,158	114,095
		816,947	-	6,009	24,598	142,982	990,535

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 –The Assistant Chief Officer (Finance & Resources) for Leicestershire is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner. The senior officer remuneration in respect of the CFO role is disclosed in the Statement of Accounts for the Chief Constable and Police and Crime Commissioner Group financial statements. For 2020/21 the OPCC contributed £6k towards these costs.

Notes to the core financial statements

2019/20	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£ Note 1	£ Note 2	£	£
The Office of the CC							
Chief Constable		151,317		4,540	8,903	-	164,760
Deputy Chief Constable		124,830		3,376	5,027	38,697	171,930
Assistant Chief Constables:							
Senior Police Officer L (until 28/04/19)		8,806		281	391	2,256	11,734
Senior Police Officer N		113,851		3,376	5,027	34,921	157,175
Senior Police Officer O		103,546			5,027	27,466	136,039
Senior Police Officer P (<i>Commenced 28/12/19</i>)	4	29,079		658	1,419	7,832	38,988
Assistant Chief Officers:							
Finance & Resources	7	103,079			5,515	22,471	131,065
Human Resources (from 01/08/19 until 01/12/19)	6	28,868			625	6,344	35,837
Human Resources (Commenced 13/01/2020)	6	18,974			1,220	4,136	24,330
		682,350	-	12,231	33,154	144,123	871,858

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.

Note 7 – From the September 2019, The Assistant Chief Officer (Finance & Resources) for Leicestershire is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner. The senior officer remuneration in respect of the CFO role is disclosed in the Statement of Accounts for the Chief Constable and Police and Crime Commissioner Group financial statements. For 2019/20 the OPCC contributed £4k towards these costs. Prior to September 2019 the Assistant Chief Officer (Finance and Resources) was shared between Leicestershire and Northamptonshire.

Notes to the core financial statements

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

Remuneration band £	2019/20	2020/21
	number of employees	number of employees
50,000 to 54,999	10	26
55,000 to 59,999	3	3
60,000 to 64,999	2	5
65,000 to 69,999	5	3
70,000 to 74,999	3	6
75,000 to 79,999	1	1
80,000 to 84,999	-	1
85,000 to 89,999	2	1
90,000 to 94,999	2	1
95,000 to 99,999	1	-
155,000 to 160,999	-	1

- A number of police staff roles have been reviewed during the year moving a number of employee's remuneration into the £50k-£55k banding.
- 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.
- Three of the above posts are National / seconded positions for which the Force receives external funding.
- Leicestershire OPCC is the lead employer for the following regional teams; East Midlands Special Operations Unit, East Midlands Collaborative Human Resources Service (EMCHRS) Learning & Development and Occupational Health, and Emergency Services Network Collaboration, eight of the police staff employees included in the table above work in the regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	2	3	2	-	4	3	26,681	20,484
£20,001 - £40,000	1	-	-	-	1	-	24,264	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	1	-	-	-	1	-	76,469	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	1	-	-	-	1	-	131,223	-
total	5	3	2	-	7	3	258,637	20,484

The CC terminated the contracts of a number of employees in 2020/21, incurring liabilities of £20k (£259k in 2019/20).

5. Jointly Controlled Operations

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

East Midlands (EM) Jointly Controlled Operations

Jointly Controlled Operation	Member Forces	Ownership %	Lead Force
EM Special Operations Unit <i>(inc Technical Support Unit)</i>	All 5 Forces	22.90 %	Leicestershire
EM Major Crime	All 5 Forces	22.90 %	Leicestershire
EM Forensics	All 5 Forces	22.90 %	Derbyshire
EM Criminal Justice	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.30 %	Lincolnshire
Specialist Operations Training	Leicestershire, Northamptonshire and Lincolnshire	44.90%	Leicestershire
EM Legal Services	All 5 Forces	22.90 %	Derbyshire
EM Occupational Health	All 5 Forces	22.90 %	Leicestershire
EM Learning & Development	Leicestershire, Nottinghamshire, Northamptonshire and Derbyshire	26.36 %	Leicestershire
EM HR Shared Service Centre	Leicestershire & Derbyshire	50.00 %	Derbyshire
EM ESN Programme Team	All 5 Forces	22.60 %	Leicestershire
ASU (Hangar Only)	Leicestershire, Northamptonshire and Warwickshire	33.33 %	Leicestershire

The following tables relate to Leicestershire's share only.

5.1 Comprehensive Income & Expenditure Statement Jointly Controlled Operations

2019/20 £000		2020/21 £000
1,097	Police pay & allowances	2,777
5,286	Police Staff pay & allowances	5,431
134	Other employees expenses	151
175	Premises	132
208	Transport	277
1,001	Supplies & services	1,003
718	Agency & contracted services	16
(827)	Income from Government Grants	(997)
(413)	Income from Fees & charges	(272)
(7,662)	Funding provided to the pooled budget	(8,789)
324	Depreciation & Amortisation	344
-	(Surplus / Deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	-
41	Cost of Services	73
7	Gains / Losses on disposal of non-current assets	-
-	Capital Grants & Contributions	(97)
-	(Surplus) / Deficit on Provision of Services	(24)
7	(Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)	(37)
55	Total Comprehensive Income & Expenditure	(61)

6. Related parties

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

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

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

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

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

7. External audit costs

In 2020/21 the OCC incurred the following fees relating to external audit.

2019/20 £000	Costs	2020/21 £000
18	External audit services	17
18	Total	17

8. Leases

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

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

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

9. Debtors

9.1 Long-Term Debtors

At the balance sheet date five car loans to employees were outstanding (2019/20 –7). The loans are made to employees who are in posts who are designated as ‘essential car users’, the interest rate applicable to each loan is fixed to the Bank of England base rate and is not variable during the life of the loan.

9.2 Short-Term Debtors

31st March 2020 £000		31st March 2021 £000
	Short-term debtors	
30	Central government bodies	30
24	Local authorities	25
46	Other Entities & Individuals	78
100		133

10. Creditors

31st March 2020 £000		31st March 2021 £000
	Short-term creditors	
(3,643)	Central government bodies	(3,900)
(4,202)	Other Entities & Individuals	(4,815)
(7,845)		(8,715)

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

11. Financial Instruments

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

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

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

12. Unusable reserves

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

31st March 2020 £000		Note	31st March 2021 £000
2,294,748	Pension reserve	13	2,729,705
4,202	Accumulated absences account	15	4,813
2,298,950	Total unusable reserves		2,734,518

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

13. Pensions reserve

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

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

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

2019/20 £000		Note	2020/21 £000
2,282,561	Balance at 1st April		2,294,748
(48,973)	Actuarial gains or losses on pensions assets and liabilities		381,072
94,193	Reversal of items relating to retirement benefits debited or credited to the <i>surplus/deficit on the provision of services</i> in the Comprehensive Income & Expenditure Statement	14/1	90,836
(33,033)	Employer's pensions contributions and direct payments to pensioners payable in the year	1	(36,951)
2,294,748	Balance at 31st March		2,729,705

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

14. Defined benefit pension schemes

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

Participation in pension schemes

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

The OCC participates in the following pension schemes:

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

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

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

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

Three schemes were in operation during 2020/21 as well as injury awards:

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

Transactions relating to post-employment benefits

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

Notes to the core financial statements

	Local Government Pension Scheme		Police Pension Schemes		Comprehensive Income & Expenditure Account	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000	£000	£000
Cost of services:						
Current service cost	18,600	15,559	45,255	49,789	63,855	65,348
Past service cost	57	(948)	-	-	57	(948)
(Gain) / loss from settlements	-	-	-	-	-	-
	18,657	14,611	45,255	49,789	63,912	64,400
Other Operating Expenditure:						
Funding from OPCC	-	-	(26,151)	(25,782)	(26,151)	(25,782)
Financing & investment income/expenditure:						
Net Interest cost	3,250	2,015	53,182	50,203	56,432	52,218
Net charge to surplus / deficit on provision of services	21,907	16,626	72,286	74,210	94,193	90,836
Other comprehensive income & expenditure:						
Return on Plan Assets (excluding the amount included in the net interest expense)	21,620	(43,622)	-	-	21,620	(43,622)
Actuarial (gains)/losses on changes in demographic assumptions	(11,866)	5,400	(35,796)	-	(47,662)	5,400
Actuarial gains and losses arising on changes in financial assumptions	(49,019)	105,263	43,604	340,142	(5,415)	445,405
Other (if applicable)	(17,516)	(2,851)	-	(23,260)	(17,516)	(26,111)
Net charge to total comprehensive income & expenditure	(34,874)	80,816	80,094	391,092	45,220	471,908
Statement of Movement in Reserves:						
Reversal of items not permitted to be charged to the general fund by statute	34,874	(80,816)	(80,094)	(391,092)	(45,220)	(471,908)
Employer Contributions	9,439	10,852	23,594	26,099	33,033	36,951
Net charge to general fund	9,439	10,852	23,594	26,099	33,033	36,951
Retirement benefits payable to pensioners	n/a	n/a	n/a	n/a	n/a	n/a
Analysed as:						
Employers' contributions payable to schemes	9,439	10,852	21,006	23,456	30,445	34,308
Employers' contributions payable to schemes – Cash Top-Up	-	-	-	-	-	-
Direct payments - Injury awards payable	-	-	2,588	2,643	2,588	2,643
Total	9,439	10,852	23,594	26,099	33,033	36,951

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Present value of the defined benefit obligation	(299,555)	(427,044)	(2,208,502)	(2,573,495)	(2,508,057)	(3,000,539)
Fair value of plan assets	213,309	270,834	-	-	213,309	270,834
Sub total	(86,246)	(156,210)	(2,208,502)	(2,573,495)	(2,294,748)	(2,729,705)
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-
Net liability arising from defined benefit obligation	(86,246)	(156,210)	(2,208,502)	(2,573,495)	(2,294,748)	(2,729,705)

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

Notes to the core financial statements

	Local Government Pension Scheme		Police Pension Schemes	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening fair value of scheme assets	222,492	213,309	-	-
Interest Income	5,435	5,004	-	-
Remeasurement gain/(loss)				
The return on plan assets; excluding the amount included in the net interest expense	(21,620)	43,622	-	-
Other (if applicable)	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	9,439	10,852	23,594	26,099
Employer Contributions (Top Up Grant)	-	-	26,151	25,782
Contributions from employees into the scheme	2,720	3,112	8,828	9,708
Benefits paid	(5,157)	(5,065)	(58,573)	(61,589)
Other (if applicable)	-	-	-	-
Closing fair value of scheme assets	213,309	270,834	-	-

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

	Local Government Pension Scheme		Police Pension Schemes	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening balance at 1 April	(353,051)	(299,555)	(2,152,002)	(2,208,502)
Current Service Cost	(18,600)	(15,559)	(45,255)	(49,789)
Interest Cost	(8,685)	(7,019)	(53,182)	(50,203)
Contributions from scheme participants	(2,720)	(3,112)	(8,828)	(9,708)
Remeasurement (gains) and losses				
• Actuarial gains/losses arising from changes in demographic assumptions	11,866	(5,400)	35,796	-
• Actuarial gains/losses arising from changes in financial assumptions	49,019	(105,263)	(43,604)	(340,142)
• Other (if applicable)	17,516	2,851	-	23,260
	(57)	948	-	-
Past service cost	-	-	-	-
Losses/(gains) on curtailment (where relevant)	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	5,157	5,065	58,573	61,589
Liabilities extinguished on settlements (where relevant)	-	-	-	-
Closing balance at 31 March	(299,555)	(427,044)	(2,208,502)	(2,573,495)

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

The liabilities show the underlying commitments that the OCC has in the long run to pay for retirement benefits. The total net liability of £2,730m has a substantial impact on the net worth of the OCC as recorded in the balance sheet, resulting in a negative overall balance of £2,735m. However, the statutory arrangements for funding the deficit mean that the financial position of the OCC remains stable.

The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. With effect from 1st April 2020 the employer's contribution rate increased to 22.8% (21.8% for 2019/20) and is due to rise to 23.8% in 2021/22.

The LGPS fund was valued during 2019/20 for the purposes of setting the employer's contribution rates for the next 3 years commencing in April 2020. The next valuation will be as at the 31st March 2022 and will take place during 2022/23.

The deficit on the LGPS scheme has decreased by £70m between March 2020 and March 2021 due to losses as a result of changes in the financial assumptions offset by increased investment returns.

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2018/19 resulted in an increase in the employers' contribution rate from 21.3% to 31% from April 2019. The Home Office has continued to provide a specific grant of £1.9m to assist the Force in funding the increased employer's contributions in 2020/21. The next Police Pension valuation is due to be reported in 2024/25, although this timetable is subject to change.

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

Police Pension Scheme

The Chief Constable, along with other Chief Constables and the Home Office currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in Oct 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

Local Government Pension Scheme

When the LGPS benefit structure was reformed in 2014, transitional protections were also applied to certain older members close to normal retirement age. The Government has confirmed that there will be changes to all the main public sector schemes, including the LGPS to remove the age discrimination. The Government consultation on the changes that need to be made closed on the 8th October 2020. On the 13th May 2021, the government issued a statement confirming the key changes they will make to the LGPS scheme to remove the age discrimination. A full response to the consultation is expected later in 2021.

Impact on pension liability

Police Pension Scheme

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities.

The scheme actuaries estimated the potential increase in scheme liabilities for the force to be approximately 5.4% or £103m of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts. The accounting figures for 2021 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken in 2018/19.

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2024/25, although this timetable is subject to change.

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 sufficient 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

Quantifying the impact of the proposed changes is 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) had 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 Scheme actuaries adjusted GAD's estimate to better reflect the Leicestershire Pension Fund's local assumptions, particularly salary increases and withdrawal rates resulting in a potential increase in scheme liabilities of £3.5m. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts. Following the Government consultation being issued the past service costs have been revisited by the actuary now that more detail is available on the proposed remedy. As a result the past service costs have been reduced by £0.9m in 2020/21.

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, the implementation of the remedy will result in unavoidable upward pressure on contributions in future years.

Compensation Claims

Police Officer claimants have lodged claims for compensation. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts

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 pension liabilities of both schemes were increased in 2018/19 to allow for the potential impact of the GMP changes. The estimate assumed 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 were that for the Police Pension scheme the additional liability was £7.6m (equal to 0.4% of the overall ISA19 liabilities) and for the LGPS approximately £0.1m. These increases were reflected in the IAS19 disclosures as a past service cost in the 2018/19 accounts. The accounting figures for 2021 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year.

Notes to the core financial statements

Basis for Estimating Assets and Liabilities

	Local Gov't Scheme		Police Schemes	
	2019/20	2020/21	2019/20	2020/21
	Years	Years	Years	Years
Mortality assumptions:				
Longevity at 65 (60 for police schemes) for current pensioners:				
• Men	21.5	21.7	27	27.1
• Women	23.8	24.2	29.1	29.2
Longevity at 65 (60 for police schemes) for future pensioners:				
• Men	22.2	22.6	29.2	29.3
• Women	25.2	25.9	31.3	31.4

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

	Local Gov't Scheme		Police Schemes	
	2019/20	2020/21	2019/20	2020/21
• rate of inflation (increase or decrease by 1%)	2.90%	3.35%	2.10%	2.70%
• rate of increase in salaries (increase or decrease by 1%)	2.30%	3.30%	3.60%	4.20%
• rate of increase in pensions (increase or decrease by 1%)	1.80%	2.80%	2.20%	2.80%
• rate for discounting scheme liabilities (increase or decrease by 1%)	2.30%	2.05%	2.30%	2.20%

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

Notes to the core financial statements

2019/20 £000	Fair Value of Scheme Assets	2020/21 £000
6,390	Cash and cash equivalents	8,114
	<i>Equity instruments: by industry type</i>	
545	Consumer	693
160	Manufacturing	203
449	Energy and utilities	570
677	Financial institutions	859
157	Health and care	199
180	Information technology	228
1,547	Other	1,964
3,715	Sub total equity	4,716
	<i>Bonds: by sector</i>	
18,061	UK Government	22,932
2,763	Other	3,508
20,824	Sub total bonds	26,439
	<i>Property: by type</i>	
15,943	UK Property	20,243
-	Overseas Property	-
15,943	Sub total property	20,243
	<i>Private equity</i>	
9,836	All	12,489
9,836	Sub total private equity	12,489
	<i>Other investment funds</i>	
85,672	Equities	108,777
9,014	Bonds	11,444
18	Hedge Funds	23
7,544	Commodities	9,579
11,218	Infrastructure	14,244
43,406	Other	55,112
156,872	Sub total other investment funds	199,178
	<i>Derivatives</i>	
(271)	Forward foreign exchange contracts	(344)
213,309	Total assets	270,834

15. Accumulated absences account

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

During 2020/21 Police Officer Annual Leave increased from £903k to £1,439k, Rest days in lieu decreased from £1,254k to £802k and Time off in lieu increased from £549k to £674k. Police Staff Annual leave increased from £660k to £939k, Rest day in lieu from £264k to £286k, Time off in lieu from £339k to £409k and Flexi Time from £98k to £119k. These increases are due to the Police Officer recruitment and the number of Officers and Staff carrying forward the maximum annual leave balance due to the impact of COVID-19.

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

2019/20 £000		2020/21 £000
(3,618)	Balance at 1st April	(4,202)
3,618 (4,202)	Reversal of opening accrual made at the end of the preceding year Amounts accrued at the end of the current year	4,202 (4,813)
(584)	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	(611)
(4,202)	Balance at 31st March	(4,813)

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

16. Cash flow statement – operating activities

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

2019/20 OCC £000		Note	2020/21 OCC £000
-	Increase/(decrease) in impairment bad debts		-
368	Increase/(decrease) in creditors/RIA		(259)
(368)	Increase/(decrease) in debtors/PIA		259
-	Increase/(decrease) in inventories		-
(61,160)	Movement in pension liability		(53,885)
-	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		-
(584)	Other non-cash items charged to the net surplus or deficit on the provision of services		(611)
(61,744)			(54,496)

17. Events after the balance sheet date

Events after the balance sheet date have been considered for inclusion in the accounts up to the authorised for issue 30th July 2021. The Chief Finance Officer has not identified any events that are classified as either adjusting or non-adjusting happening between 31 March and the date the Statement of Accounts were authorised for issue.'

18. Contingent liabilities

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

19. Critical judgements in applying accounting policies

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

Whilst the funding made available to the Chief Constable increased during 2019/20 and 2020/21 there remains a high degree of uncertainty about future levels of funding for local government. This uncertainty has increased due to the global Covid-19 pandemic. Many organisations have had to adapt how they work to maintain essential services and safeguard their employees wherever possible. The CC has adapted along with its partners to continue to keep communities safe in these challenging times.

The OPCC has determined that this uncertainty around future funding and any additional costs of Covid-19 are not yet sufficient to provide an indication that the assets of the OPCC might be impaired as a result of a need to close facilities and reduce levels of service provision. The OCC would be directly affected by changes in funding for local government as it would potentially impair the resources available for use.

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

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

In December 2018 the Court of Appeal upheld a ruling (McCloud / Sargeant) that pension transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The UK government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Both the Police Pension and Local Government schemes have transitional protections in place following the introduction of Career Average Revalued Earnings (CARE) schemes. Benefits accrued since the introduction of CARE may therefore need to be enhanced so that all members, regardless of age will benefit from the protections. The clear expectation is that many more members will see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits. As there is a probable future outflow of economic benefit and a reliable estimate, using reasonable assumptions, could be made an estimate of the potential liability was included in the 2018/19 accounts as past service cost. The accounting figures for 2020 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year.

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 were again been accounted for as a past service cost in the 2018/19 accounts and the pension liability at the 31st March 2021 continues to reflect the potential costs.

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

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

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

21. Going Concern

The concept of a going concern assumes that the functions of the Chief Constable and the Force will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority accounting in the United Kingdom 2019/20) in respect of going concern reporting requirements reflect the economic and statutory environment in which police forces operate. These provisions confirm that, as police forces cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Police and Crime Commissioners and Chief Constables carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If a police force were in financial difficulty, the prospects are thus that

alternative arrangements might be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for the financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a police force will continue to operate for the foreseeable future.

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

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

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

Credit risk

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

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

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

Customer credit risk has a very low overall effect on the OPCC/Group by virtue of income from customers being equal to only 3.41% of total income (2019/20 – 4.31%). The risk is managed via the OPCC/Group's credit control policy. This policy sets out the framework within which financial relationships with the OPCC/Group's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Chief Finance Officer for the OCC may authorise the write-off of unrecoverable amounts up to £10k. Amounts above £10k require the authorisation of the Chief Finance Officer for the OPCC.

To further mitigate the risk of customer credit default, the OPCC/Group assesses whether a bad debt impairment is required each year. No impairment is required for 2020/21 (2019/20 – no impairment required).

Liquidity risk

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

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

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

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

Market risk

Interest rate risk

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

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

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

The OPCC/Group 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.

23. Accounting policies used by the Office of the Chief Constable for Leicestershire

A1 General principles

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

The Statement of Accounts summarises the OCC transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* (the Code) published annually by CIPFA, supported by International Financial Reporting Standards (IFRS).

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

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

A2 Cost and intra-group income recognition

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

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

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

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

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

A3 Accruals of income and expenditure

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

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

A4 Exceptional items

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

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

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

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

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

A6 Financial instruments

Financial liabilities

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

A7 Provisions & Contingent Liabilities

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

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

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

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

Contingent Liabilities

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

A8 Revenue Recognition / Income

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

A9 Employee benefits

Benefits payable during employment

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

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

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

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

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

Termination benefits

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

Post-employment benefits

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

a) Police officers

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

b) Police staff

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

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

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

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

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

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

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

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

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

Discretionary benefits

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

A10 Jointly controlled operations

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

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

A11 Events after the reporting period

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

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

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

A12 Overheads and Support Services

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

A13 Reserves

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

A14 VAT

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

Introduction

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

The fund receives income each year from:

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

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

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

2019/20 £000		2020/21 £000
	Contributions receivable:	
	OPCC/Group	
(20,425)	■ employer's contributions	(22,583)
(581)	■ early retirements	(874)
(8,827)	■ officers' contributions	(9,708)
(29,833)		(33,165)
(711)	Transfers in from other pension schemes	(549)
	Benefits payable:	
47,268	■ pensions	48,574
8,208	■ commutations and lump sum retirement benefits	9,656
931	■ ill-health commutations and lump sum retirement benefits	1,203
171	■ lump sum death benefits	-
56,578		59,433
	Payments to and on account of leavers:	
38	■ refund of contributions	63
81	■ transfers out to other police Forces	-
118		63
26,152	Net amount payable for the year	25,782
(26,152)	Additional funding Receivable from the Police Fund	(25,782)

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

31st March 2020 £000		31st March 2021 £000
	Current assets	
2,627	Contributions due from the OPCC/Group	3,003
	Current liabilities	
-	Unpaid pensions benefits	
2,627		3,003

Notes

Note 1

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

Note 2

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

Note 3

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

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

Note 4

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2018/19 resulted in an increase in the employers' contribution rate from 21.3% to 31% from April 2019. The next Police Pension valuation is due to be reported in 2024/25, although this timetable is subject to change.

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

1) Scope of Responsibility

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

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

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

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

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

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

2) The Purpose of the Governance Framework

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

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

The Corporate Governance Framework in place for 2020/21 has been reviewed and updated following extensive consultation. The revised version was ratified in November 2020.

3) The Governance Framework

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

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

During 2020/21, 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 2020/21, 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 2020/21 Regional Collaboration audits and the Regional Collaboration Internal Audit Plan and the proposed workplan and timescales for 2021/22.

The effectiveness of audit committees should be carried out periodically. Mazars undertook an effectiveness review audit during 2017-18 with the next one planned to take place during 2021/22. In the 2017-18 the review, 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.”

A further self-assessment effectiveness review was undertaken by the OPCC and JARAP members during 2020/21 using CIPFA guidance. The findings were reported to the JARAP at its meeting on 26 January 2021. Overall, the review concluded that the JARAP is operated in an effective manner. Moreover, External audit (Ernst & Young LLP) commented “the JARAP has improved its effectiveness.....over the past couple of years.”

The 2021/22 Internal Audit Plan was considered and approved at the JARAP meeting to be held on 27 April 2021. It was prepared following discussion and consideration of regional and three force audit themes, the risk register and other factors.

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

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

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

- Governance arrangements with Partners which oversee key areas of strategic partnership working such as the Strategic Partnership Board, chaired by the PCC with the CC and other key stakeholders in attendance;
- An Ethics, Integrity and Complaints Committee;
- Regular reviews and updates on Regional Collaboration are discussed at the East Midlands PCC and CC Board who meet bi-monthly.

Chief Finance Officer

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

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

The Chief Financial Officer in a public service organisation:

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

4) Review of Effectiveness

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

The OPCC and OCC continued to invest in an Internal Audit programme in 2020/21 which continued to give assurance under the arrangements for the two corporation soles. These ensured specific local audits on:

- Procurement
- Workforce Planning
- Estate Management
- Core Financials
- Payroll
- Payroll Provider
- Wellbeing
- Vetting
- Risk Management
- IT Security
- GDPR
- Victims Code of Practice
- Medium Term Financial Planning

During 2020-21, the following collaborative audits or specific assignments were carried out:

- Budget Control
- Workforce Planning

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 2020 to 31 March 2021 and will be reported to and considered by the JARAP in July 2021. The key messages in that report are included here within this Annual Governance Statement.

The Internal Audit opinions included within their annual report for both the Police and Crime Commissioner and the Chief Constable for 2020-21 were as follows:

*“On the basis of our internal audit work, our opinion on the framework of governance, risk management, and control is **Significant** in its overall adequacy and effectiveness. This opinion is provided on the basis that the framework of governance, risk management and control is adequate and effective.”*

The basis of Mazars’ opinion was as follows:

“In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance

In respect of Corporate Governance, while not directly assessed as part of the Plan, this was informed by consideration of this area through our individual assignments including where relevant. Governance is a consideration in all our audit engagements and we did not find any wholesale issues with governance across our audit plan.

Risk Management

In respect of Risk Management we have undertaken a Risk Management audit, at the time of writing the final report is still to be confirmed. In addition to this our opinion was informed by consideration of risk management aspects through our individual assignments including reporting within our ‘risk management’ thematic as well as observing reports and discussion around the Force’s and OPCC’s Risk Management including the Risk Register at each JARAP meeting with no significant issues arising.

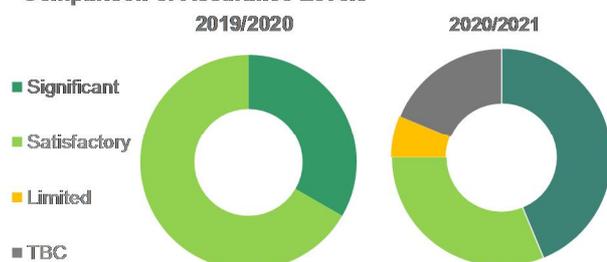
During the course of delivering the 2020/21 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the ‘Internal Control’ section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

Internal Control

Of the 15 audits undertaken and 12 finalised to date, where a formal assurance level was provided, 7 received a significant level of assurance and 4 audits received a satisfactory level of assurance. However, 1 audit (IT Security) has received a limited level of assurance (although the final reports for three audits remain outstanding – MTFP, Risk Management & Collaboration: Workforce Planning).

We have made a total of 23 new recommendations during the year at the Force and OPCC, 1 recommendation was categorised as Priority 1 with 10 recommendations categorised as Priority 2 and 12 were Priority 3.”

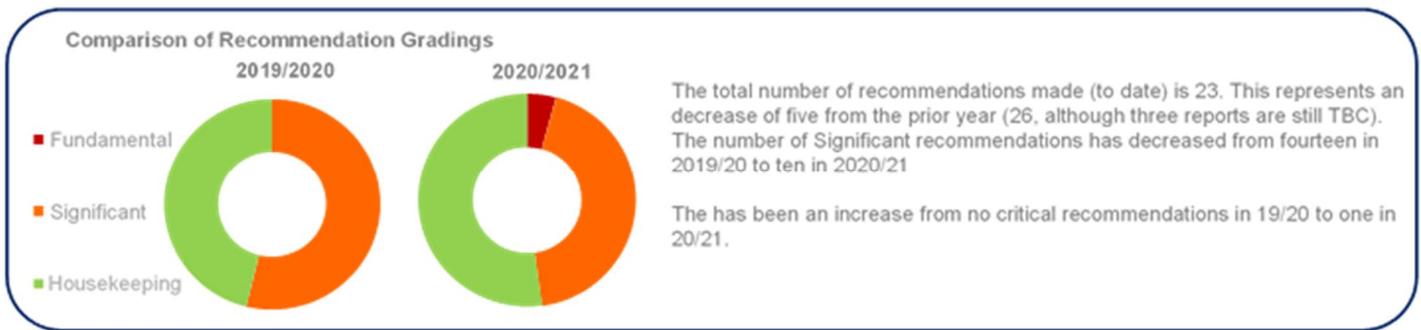
Comparison of Assurance Levels



Of the twelve audits finalised (to date) in 2020/2021 there are seven with significant assurance and four with satisfactory assurance provided. One audit with limited or needs improvement assurance reports was provided in the year. Three are still to be finalised.

In 2019/2020, six audits providing significant assurance were completed and 12 audits providing satisfactory.

Whilst there has been an increase with one limited assurance opinion, to date the level of significant and satisfactory levels assurance remain similar.



Compliance with Professional Standards

We employed a risk-based approach to determining the audit needs of the Force & OPFC at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

In fulfilling our role, we abide by the three mandatory elements set out by the Institute of Internal Auditors. Namely, the Code of Ethics, the Definition of Internal Auditing and the Standards for the Professional Practice of Internal Auditing.

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Audit and Risk Committee. We have received positive feedback on our work from the Audit and Risk Committee and staff involved in the audits.

Regular planned discussions on progress against the Audit Plan have taken place with the JARAP with Performance being an item within our progress reports presented at each meeting.

Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform; we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by Managers and Partners;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and
- The maintenance of the firm's Internal Audit Manual.

External audit (Ernst & Young LLP) issued their 'Annual Audit Letter for the year ended 31 March 2020' in January 2021 and this was considered by the JARAP at their meeting held on 27 April 2021. The letter summarised the results of their 2019-20 audit and built on the 'Audit Results Report' considered by the JARAP at their meeting on the 16 October 2020. 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 2020 and of its expenditure for the year then ended;
- other information published with the financial statements was consistent with the Annual Accounts;
- we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you;
- from our work we determined that the PCC and CC had adequate arrangements to respond to the risks of securing its medium to longer term financial resilience;
- the PCC and CC complied with the 2015 Accounts and Audit regulations in their notice of audit;
- 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 did not identify any issues;

- *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 7 October 2020*
- *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 21 September 2020.'*

The JARAP met virtually due to COVID restrictions three times during the year (The April 2020 meeting was cancelled). 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 2020, 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.

5) Significant Governance Issues

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

In 2020/21 our internal auditors, Mazars, carried out 15 audits (three still outstanding) and as detailed on the table one of them was given limited assurance. During 2019-20 none of the 17 audits undertaken were given limited assurance which indicates a sound 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.

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. However, the Police Precept and Budget was agreed by the Police and Crime Panel on 27 January 2021 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 until part way through 2023/24.

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 the Covid 19 pandemic, Brexit and the impending Comprehensive Spending Review.

HMIC Inspections and Force Performance

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

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

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

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

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

There have no further HMICFRS inspections in this area since.

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

There have no further HMICFRS inspections in this area since.

High priority strategic risks

At the end of March 2021 the Strategic Risk Register highlighted 10 strategic risks that were judged to be high priority. They were:

- Diminished CSI Capacity
- Capacity within I.T. to support and enable digital transformation
- Inability to meet regional Occupational Health demand
- Risk of staff being exposed to COVID virus due to work activities
- Churn of staff and ongoing establishment pressure
- Management of geographical information
- Pension remedy for police pension scheme
- Current JES non-equalities compliant and the implementation of new JES scheme carries risk
- Reputational risk to the force due to delays in the Criminal Justice system
- Complying with Home Office Counting Rules & ensuring high levels of crime data integrity

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

Reflecting the challenges from coronavirus

The AGS assesses the adequacy and effectiveness of the governance arrangements in place during 2020/21 and therefore the majority of the year was affected by the coronavirus pandemic ('COVID-19'). The impact on governance was felt by all public sector organisations including, for example, changes to decision making arrangements and the conduct of meetings. COVID-19 also impacted on the organisation's priorities and programmes.

Leicestershire in response to the onset of COVID-19 established a Gold Command Structure to oversee the Force's response. This was led by an Assistant Chief Constable and covered issues such as business continuity, resilience, sickness, wellbeing, abstraction rates, access to PPE, policing the new restrictions, additional expenditure incurred and recovery plans. The structure remains in place.

A more agile approach to delivering services was adopted through the use of mobile devices which allowed employees to work from home where they could to achieve social-distancing or when in self-isolation.

The Silver Commander oversaw the sourcing of increased amounts of Personal Protective Equipment (including facemasks, disposable gloves, hand sanitiser and wipes) for frontline staff and offices.

Operational Guidance, and health, safety and wellbeing advice, were shared Force wide with senior leaders and directly with staff via Corporate Communication messages.

After COVID-19 was declared a major incident, DCC Nixon became Chair of the Strategic Coordination Group (SCG). This was a multi agency meeting whose objective was to lead and manage the response to the pandemic across the Force area.

From a governance perspective, the PCC is a member of the Force's 'Gold' group overseeing and managing the Force's overall response to COVID-19. The PCC maintained regular communications with the Chief Constable. This approach enabled the PCC to continue to exercise effective governance and oversight of the Force's activities, decision-making processes, operational policing tactics and performance during an extremely fluid and fast-changing period of time, whether in respect of COVID-19 or 'business as usual' related activities.

The Force continued to produce audit and performance reports to inform existing governance forums and provide assurance ; for example, a briefing was delivered by the DCC to the JARAP, highlighting the implications of the pandemic on Force activity and risk.

Annual governance statement

The Chief Constable's Chief Officer Team (COT) met more regularly (up to three times per week) to enable swift decision-making and suitable oversight of the Force response to COVID-19.

Gold Command convened management meetings three times per week during the height of the pandemic, moving to one meeting per week during late summer / autumn.

Telephone conferences and Microsoft Teams have enabled meetings to continue through the pandemic. This allowed officers and staff to effectively deliver Force performance during the pandemic.

Organisational learning was proactively sought and captured throughout the Force's response to COVID-19. Learning is being used to inform decision-making concerning the Force's ongoing response to COVID-19.

The PCC is not required to hold public decision-making meetings; instead, he is required to publish 'significant' decisions on his website. The OPCC has continued to discharge that requirement during the COVID-19 crisis. In addition, the agenda and papers for public meetings that would have taken place e.g. the Joint Audit, Risk and Assurance Panel on 29th July which were published on the OPCC website to facilitate transparency and accountability to the public.

The Leicestershire Police and Crime Panel, which has responsibility for scrutinising the decisions and actions of the PCC, held 'virtual' meetings on 28th July and 1st October. The Budget meeting in January 2021 was held at Leicester City Hall.

The scrutiny and oversight by relevant PCCs of policing functions being developed or discharged by Leicestershire Police in collaboration with other police forces has continued but undertaken in virtual form, usually by way of conference call arrangements.

The financial impact of COVID-19 on the public sector generally, and specific to Leicestershire Police was continually monitored throughout the year. Details were reported to each Gold Group meeting. The financial implications of delivering the local policing response to COVID-19, was managed by a combination of the ongoing close working of the PCC and Chief Constable's chief finance officer and their respective teams.

A number of strategic risks specific to COVID-19 were identified and incorporated into the Force Strategic Risk Register. These included welfare & wellbeing, the provision of critical functions, reputational risk and legitimacy, unintended legal or regulatory breaches, meeting demand and achieving recovery. These risks were managed through Gold and also report into COT weekly. In addition, a tactical Risk Register for COVID-19 was developed, alongside the SCG risk register.

The PCC and Force have been capturing the organisational and operational learning throughout the pandemic which will be used to inform any post-incident review. An early finding is that the Gold structure and its links to COT has enabled fast and co-ordinated decision making.

Conclusion

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

Simon Cole
Chief Constable
Xxxxxx 2021

Paul Dawkins
Chief Finance Officer
Xxxxxx 2021



ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION 2020/21

I confirm that the relevant controls and procedures are in place to manage the following issues within the East Midlands Special Operations Unit, which includes the Regional Organised Crime Unit, Major Crime, Forensic Services, Counter Terrorism Policing East Midlands, and Legal Services.

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. Exceptions are reported to the East Midlands Police & Crime Commissioners and Chief Constables' (EMPCC/CC) Board on a quarterly basis, with full performance reports reported twice a year.

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 EMSOU. 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. Quarterly monitoring 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:



Paul Gibson
Deputy Chief Constable (East Midlands)
Date: 10/06/2021

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR LEICESTERSHIRE

Opinion

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xxxxxxxx

Neil Harris (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

*The maintenance and integrity of the Chief Constable of Leicestershire's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

Accounting policies

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

Accrual

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

Actuarial gain/loss

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

Actuarial Valuation

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

Amortisation

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

Budget

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

Capital expenditure

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

Capital financing requirement

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

Capital grant

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

Capital receipts

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

CIPFA

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

Commuted lump sums

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

Contingent liabilities

A contingent liability is either:

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

Corporate and democratic core

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

Creditors

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

Current service cost (Pensions)

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

Debtors

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

Deferred liabilities

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

Defined benefit scheme

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

Depreciation

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

Financial regulations

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

Financial year

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

Formula spending share

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

Impairment

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

Investment property

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

LASAAC

Local Authority (Scotland) Accounts Advisory Committee

Leasing

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

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

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

Liquid resources

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

Minimum revenue provision

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

Net book value

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

Non-current assets

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

Non distributed costs

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

Past service cost (pensions)

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

Precept

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

Public Works Loan Board (PWLB)

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

Receipts and payments

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

Unusable reserves

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

Usable reserves

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