

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

**DRAFT  
Annual Financial Report**

**2021/22**

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# Narrative Report by the Chief Finance Officer

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These accounts set out the overall financial position of the Chief Constable (CC), who is responsible for the Leicestershire Police Service, for the year ended the 31<sup>st</sup> March 2022.

The accounts for 2021/22 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 2021/22 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 2021/22.

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 2021/22. 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 2021/22 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 2021/22. 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 2021/22**

The 2020 grant settlement announced that Leicestershire's core funding for 2021/22 would increase by £7.16m to £130.8m. The additional funding made available was 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 would be 88 officers during 2021/22. In addition, a specific grant of £1.5m was allocated if the government's recruitment targets were achieved. This has been received.

The precept referendum threshold was confirmed at £15 for a Band D property and the council tax increased to £248.23 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 in the foreseeable future.

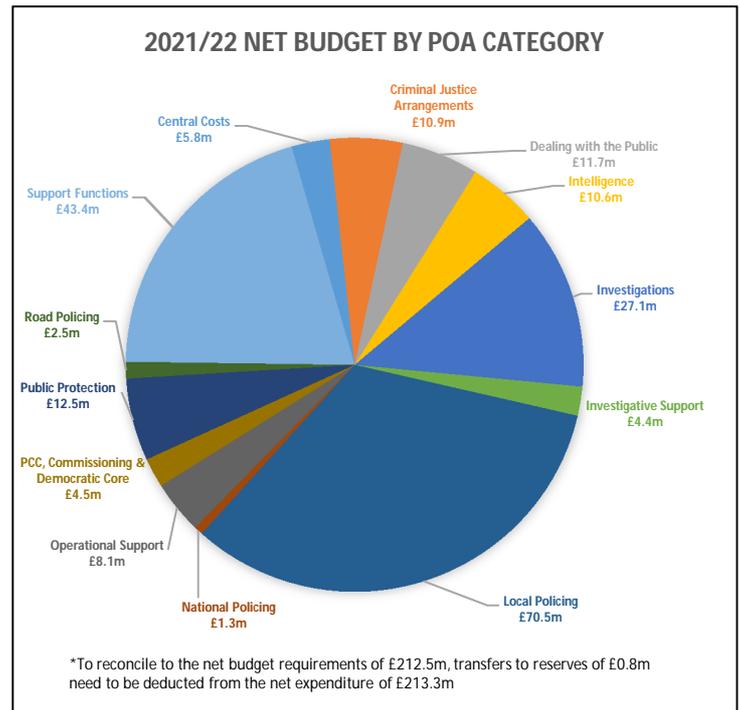
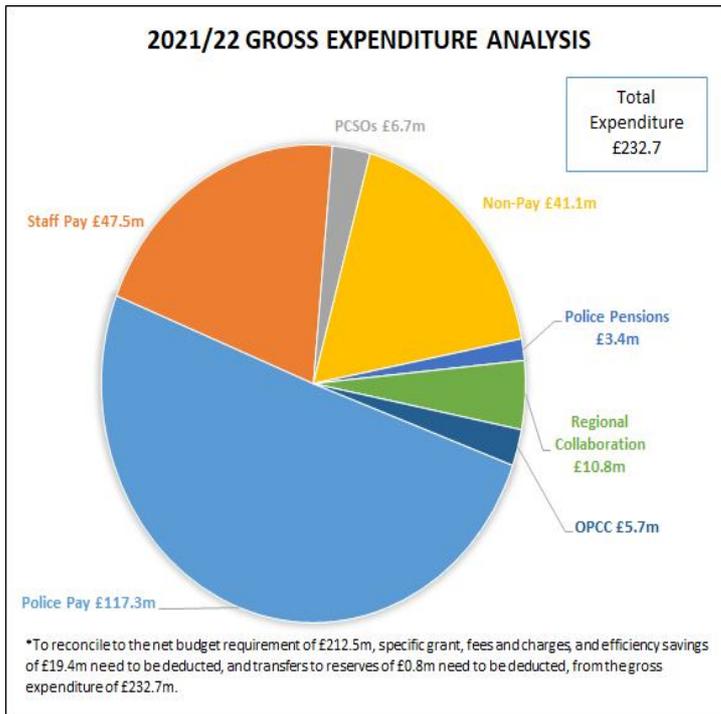
The Commissioner was briefed on the current and emerging operational challenges, both nationally and locally by the Chief Constable and the PCC allocated additional funding for the following priorities:

- for 50 additional officers to be recruited during 2021/22 in addition to the 88 delivered through the uplift programme. This increased overall full time equivalent (FTE) officer numbers to 2,242 by March 2022.
- For other investment items totalling £2m these included additional police staff posts and supporting organisational infrastructure, deemed essential to deliver both service transformation and to support the growth in officer numbers.

The OPCC sets the annual budget for the OCC in consultation with the CC. A net annual revenue budget for 2021/22 of £212.5m was set for the service as a whole, an increase of 6.3% over 2020/21. £208.2m was managed by the CC with the remaining £4.3m (net of grants and transfers from reserves) relating to the costs of the OPCC (£1.3m) and commissioning activities (£3.0m).

# Narrative Report by the Chief Finance Officer

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



## Performance against budget

The Office of the Chief Constable for Leicestershire underspent its 2021/22 budget by £0.4m, after the transfer of funds to earmarked reserves, to meet future commitments in 2022/23.

This was attributable to:

- An overspend on police pay and allowances of £0.026m. The Force successfully achieved the recruitment targets for 2021/22 and ended the year with 2247 FTE against an authorised establishment of 2242 FTE. The overspend is attributable to increased expenditure on unsocial allowances and national insurance arising from the overtime worked over the Christmas and New Year period offset by the over recovery of seconded officer income and additional Home Office Grant for targeted patrols. During the year a change to Police Officer Pay and Conditions introduced Targeted Bonus Payments for the Superintendent ranks.
- An underspend on corporate budgets of £0.267m attributable to an overspend on PCSOs due to a lower level of attrition. The DHEP route of entry is not as popular with PCSOs, therefore less have left to join the regulars than in previous years. Ill health retirements costs being higher than the budget due to a higher level of retirements, unbudgeted Covid 19 expenditure, an overspend on the Force Fuel budget, reflecting the higher pump prices, increased insurance premiums and related legal expenditure. Offset by an over recovery of special police services income following the relaxation of the Covid restrictions and mutual aid income from policing CoP26 and delays in the implementation of investment proposals and projects.
- An underspend of £0.044m on policing functions provided regionally.
- A net underspend of £0.102m in the delegated budgets as a result of increased police overtime costs to meet demand, over recovery of income and an underspend in the Business Support departments attributable to police staff salary and uniform costs offset by additional costs of vehicle parts and maintenance.

During the year, the Chief Constable received specific grant from the Home Office to tackle serious violence crime (£0.6m). No additional Home Office funding was received during 2021/22 in relation to the costs of Covid 19. The additional costs incurred of £180k were managed within the overall Force budget.

# Narrative Report by the Chief Finance Officer

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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 £2.9m to meet future commitments is held in the the Carry Forward Reserve.

## Operational Performance

From March 2021 there was a slow move towards all Covid-19 restriction being removed with a view of returning back to normality. The legacy Covid-19 policing saw a natural increase in demand as we moved further away from full lockdown.

As the financial year finished the additional demand saw an increase in most areas across the organisation.

- Emergency contact increased by 22% from 135,323 in 20/21 to 168,834
- Emergency incident created increased by 17% from 35,217 to 41,820
- Reported crime increased by 14% from 86,848 in 20/21 to 100,236
- Non-Crime report increased by 12% from 57,306 in 20/21 to 64,077

Within the reported crime to Leicestershire Police there was an equal increase in violence against the person of 14% from 33,770 to 39,150. There was also a 25% increase in safeguarding reports from 9,698 in 20/21 to 12,571.

Despite the exceptional increase in demand there has been an excellent level of service provided to the people and communities of Leicestershire. This has been reflected in a glowing report from Her Majesty's Inspectorate of Constabulary following a comprehensive inspection. There were three areas that were deemed outstanding and four areas that were identified as good: -

## Outstanding

- Crime data integrity
- Preventing crime and antisocial behaviour
- Protecting vulnerable people

## Good

- Engaging with and treating the public with fairness and respect
- Managing offenders and suspects
- Building, supporting and protecting the workforce
- Strategic planning, organisational management and value for money

Maintaining staffing levels is still identified as a key area of work within Leicestershire ensuring that we have the right numbers to continue to deliver an excellent service to the community. Maintaining the momentum from previous years has seen the amount of Police recruits raise during 21/22 period by 245 police officers and for the first time over 50% were female at 52.7%. There has also been an increase of Police officers from Black or Minority Ethnic background adds value and scope to the multicultural organisation that Leicestershire Police is and is reflective of the community it works for.

## 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 2021/22. The detailed report can be viewed on the HMICFRS website.

In 2014, HMI introduced the police effectiveness, efficiency and legitimacy (PEEL) inspections, which assess the performance of all 43 police forces in England and Wales. Since then, HMI have been continuously adapting their approach and this year has seen the most significant changes yet.

HMI are moving to a more intelligence-led, continual assessment approach, rather than the annual PEEL inspections they used in previous years. For instance, HMI have integrated their rolling crime data integrity inspections into these PEEL assessments. Also the PEEL victim service assessment now includes a crime data integrity element in at least every other assessment.

HMI have also changed their approach to graded judgments. HMI now assess forces against the characteristics of good performance, set out in the PEEL Assessment Framework 2021/22, and they more clearly

# Narrative Report by the Chief Finance Officer

link judgments to causes of concern and areas for improvement. HMI have also expanded their previous four-tier system of judgments to five tiers **Inadequate/Requires Improvement/Adequate/Good and Outstanding**. As a result, HMI can state more precisely where they consider improvement is needed.

## Her Majesty's Inspectorate of Constabulary – Findings for PEEL 2021-22

HMI's inspection assessed how good Leicestershire Police is in ten areas of policing and they made graded judgments in nine of the following as follows:

- Providing a service to the victims of crime - **HMI do not make graded judgements in this overall area**
- Recording data about crime - **OUTSTANDING**
- Engaging with and treating the public with fairness and respect - **GOOD**
- Preventing crime and anti-social behaviour - **OUTSTANDING**
- Responding to the public - **ADEQUATE**
- Investigating crime - **ADEQUATE**
- Protecting vulnerable people - **OUTSTANDING**
- Managing offenders and suspects - **GOOD**
- Building supporting and protecting the workforce - **GOOD**
- Strategic Planning & Organisational Development - **GOOD**
  - **Leicestershire Police is good at operating efficiently.**
  - **The force has an effective strategic planning and performance management framework.**
  - **The force manages demand well.**
  - **Some adjustments are required to where staff are based.**
  - **The force has a good understanding of the capabilities of its workforce.**
  - **The force equips its volunteers to work effectively on its priorities.**
  - **The force uses its finance effectively and is adaptable to changing budgetary requirements** - The January 2022 amended medium-term financial plan was presented promptly following government spending announcements and the precept decision of the police and crime commissioner (PCC) for the financial year 2022/23. The plan is clear, with sensible assumptions. The document presents a balanced budget for the next three years by using the maximum increase in precept funding (Council Tax Band D increase of £10 per year) and maintaining appropriate reserves. However, there is uncertainty over whether the PCC will support the maximum year-on-year precept increases. If this isn't agreed, the force will need to make savings equivalent to the shortfall in precept funding, where a £1 increase in funding equates to about £0.4m per year (equivalent to 7 officers at the top of the pay scale, or 11 at the bottom). The PCC has also indicated that he will expect the force to achieve annual efficiency savings of 0.5 percent of net revenue expenditure (equivalent to £1.1m per year or £4.4m over the period of the plan). The force has already produced an efficiency savings plan, which needs to be amended to reflect this new requirement.
  - **The force collaborates to improve services**
  - **The force improves productivity through technological solutions**

HMI also commenced inspecting for the following area of policing which was then moved to a national thematic part way through the PEEL process; the grade related to this is to be confirmed shortly.

- Disrupting serious and organised crime – **Force De-brief to be provided by HMI on Friday 27<sup>th</sup> May, grade yet to be confirmed.**

## 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 £6.0m 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 £5.9m with £0.1m being charged to the Comprehensive Income and Expenditure Statement as 'Revenue Expenditure Financed from Capital resources Under Statute' (REFCUS – see Note 14). No external long term borrowing was taken out during 2021/22. Outstanding external debt at the year-end was £10.7m (excluding accruals for interest payable).

The 'Estates' projects undertaken include:

- The refurbishment of the Keyham Lane Annex
- An electrical upgrade to the IT server room
- Alterations to locker rooms at Melton Mowbray

During the year the IT Department experienced delays in the delivery of the programme due to the impact of the Covid pandemic on the global supply chain and limited IT resources. Suppliers struggled to source components, and supply and delivery logistics were challenging. However, the following projects were progressed during the year:

- Investment in the data network and storage to ensure network performance and support new services.
- The Force has committed to the National Enabling Programme (NEP) Office 365 cloud service and 2021/22 saw the continued implementation, and the exploitation of the office 365 productivity tools.
- Provision for the purchase of additional Body Worn Video capability
- The continuation replacement of the personal computer estate within the 5 year life cycle to support agile working.
- Various enhancements and upgrades to the communication system as part of the voice strategy moving the Force onto the latest technology.
- Replacement of the portable Interview Recording System (IRS) that are now end of life.
- rolling programme of ANPR camera replacements.
- 

The Transport Unit also faced unprecedented difficulties in relation to vehicle supply as a result of

- world semi-conductor and magnesium shortages
- Covid factory shut-downs
- Factory floods
- Brexit
- BLC National Vehicle Procurement Framework tendering process.

This led to significant delays in the delivery of vehicles during 2021/22 and £1.1m of the vehicle replacement budget will not now be incurred until 2022/23. This has resulted in the current fleet being retained and operated for a longer period.

No properties were disposed of during 2021/22.

## Retirement Benefits

Accounting for Retirement Benefits in the 2021/22 Statement of Accounts has resulted in a pension liability of £2,716m compared to £2,724m in 2020/21. The decrease in the liability is primarily due to the actuarial gains arising from changes in the financial assumptions and an increase in the value of assets in the Local Government Scheme.

# Narrative Report by the Chief Finance Officer

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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 4<sup>th</sup> February 2021, HM Treasury issued their response to the earlier issued consultation document.

The accounting figures for 2022 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 £2,614m 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 2022/23

The December 2021 grant settlement announced that Leicestershire's core funding for 2022/23 would increase by £6.7m. This is intended to meet the year three 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 119 officers during 2022/23 (6 officers are to be recruited into the Regional Organised Crime Unit). The Force supported by the PCC achieved the Year 3 uplift by the end of Year 2 and therefore the establishment will not increase beyond the forecast of 2,242 by March 2023. In addition, a specific grant of £2.0m 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 £10.00 in 2022/23, to ensure that police spending is protected and make further significant investments in policing services.

Investment items totalling £1.85m are contained within the budget proposals for 2022/23 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 2022/23 net revenue and capital budgets of £223.3m and £10.2m respectively. A precept of £258.23 for a Band D property was set for the year, an increase of £10.00 (4.03%) over 2021/22.

Whilst the funding made available to the Police and Crime Commissioner increased during 2021/22 and 2022/23 the outcome of the 2021 comprehensive spending review (SR2021) only provided a high level indication of the increase in overall grant funding for 2023/24 and 2024/25 therefore a degree of uncertainty regarding future levels of funding for the Group continues.

## Organisational Risks

When the budget for 2022/23 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
- Digital transformation and cloud migration.

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

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

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

- The Financial Challenge - 2021/22 – 2024/25
- Capacity within I.T. to support and enable digital transformation
- Inability to meet regional Occupational Health demand
- Churn of staff and ongoing establishment pressure
- Pension remedy for police pension scheme
- Current JES non-equalities compliant and the implementation of new JES scheme carries risk
- Complying with Home Office Counting Rules & ensuring high levels of crime data integrity
- Safeguarding repeat domestic abuse victims
- Violence, abuse and intimidation against women and girls
- Risk of not conducting appropriate health surveillance
- Removal, retention and deletion of data in Digital Hub
- Number of historical investigations subject to public inquiry
- High profile complaints and legal claims

**Paul Dawkins**  
**Chief Finance Officer**  
**29<sup>th</sup> July 2022**

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

The CC is required to:

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

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

The Statement of Accounts for the year to 31<sup>st</sup> March 2022 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 31<sup>st</sup> March 2022.

**Paul Dawkins**  
**Chief Finance Officer**  
**xxxxxx 2022**

## 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.

| 2020/21                   |                      |                         |  | Note     | 2021/22                   |                      |                         |
|---------------------------|----------------------|-------------------------|--|----------|---------------------------|----------------------|-------------------------|
| Gross expenditure<br>£000 | Gross income<br>£000 | Net expenditure<br>£000 |  |          | Gross expenditure<br>£000 | Gross income<br>£000 | Net expenditure<br>£000 |
| 249,836                   | (23,665)             | 226,171                 | Policing Services  |          | 280,478                   | (23,837)             | 256,641                 |
| 102                       | 1                    | 103                     | Corporate & Democratic Core                              |          | 154                       | 6                    | 160                     |
| (948)                     | -                    | (948)                   | Non-Distributed Costs                                    | 14       | 130                       | -                    | 130                     |
| <b>248,990</b>            | <b>(23,664)</b>      | <b>225,326</b>          | <b>Cost of services</b>                                  | <b>2</b> | <b>280,762</b>            | <b>(23,831)</b>      | <b>256,931</b>          |
| (223,048)                 | -                    | (223,048)               | Other operating expenditure                              |          | (232,445)                 | -                    | (232,445)               |
| 52,218                    | -                    | 52,218                  | Financing and investment income & expenditure            | 3        | 59,269                    | -                    | 59,269                  |
| <b>78,160</b>             | <b>(23,664)</b>      | <b>54,496</b>           | <b>(Surplus) or deficit on provision of services</b>     |          | <b>107,586</b>            | <b>(23,831)</b>      | <b>83,755</b>           |
|                           |                      | 375,424                 | Actuarial (gains) / losses on pension assets/liabilities | 13       |                           |                      | (91,498)                |
|                           |                      | <b>375,424</b>          | <b>Other comprehensive income &amp; expenditure</b>      |          |                           |                      | <b>(91,498)</b>         |
|                           |                      | <b>429,920</b>          | <b>Total comprehensive income &amp; expenditure</b>      |          |                           |                      | <b>(7,743)</b>          |

## Balance Sheet

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

| 31st March<br>2021<br>£000 |  | Note | 31st March<br>2022<br>£000 |
|----------------------------|--|------|----------------------------|
|                            | <b>Non-current assets</b>                            |      |                            |
| 14                         | Long term debtors                                    |      | 15                         |
| <b>14</b>                  | <b>Total long term assets</b>                        |      | <b>15</b>                  |
|                            | <b>Current assets</b>                                |      |                            |
| 133                        | Short term debtors                                   |      | 132                        |
| 3,755                      | Inter – Group Debtor                                 |      | 3,731                      |
| <b>3,888</b>               |  |      | <b>3,863</b>               |
|                            | <b>Current liabilities</b>                           |      |                            |
| (8,715)                    | Short term creditors                                 |      | (8,567)                    |
| <b>(8,715)</b>             |  |      | <b>(8,567)</b>             |
| <b>(4,827)</b>             | <b>Net current assets</b>                            |      | <b>(4,704)</b>             |
|                            | <b>Long term liabilities</b>                         |      |                            |
| (2,724,057)                | Liability related to defined benefit pension schemes |      | (2,716,438)                |
| <b>(2,724,057)</b>         |  |      | <b>(2,716,438)</b>         |
| <b>(2,728,870)</b>         | <b>Net assets / (liabilities)</b>                    |      | <b>(2,721,127)</b>         |
| 2,728,870                  | Unusable reserves                                    |      | 2,721,127                  |
| <b>2,728,870</b>           | <b>Total reserves</b>                                |      | <b>2,721,127</b>           |

### Certification

The draft financial statements on pages 1 to 62 were authorised for issue on the 29<sup>th</sup> July 2022.



## 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.

| 2021/22  | General Fund Balance | Total Usable Reserves | Unusable Reserves | Total Reserves   |
|--|----------------------|-----------------------|-------------------|------------------|
|  | £000                 | £000                  | £000              | £000             |
| <b>Balance at 31 March 2021</b>  | -                    | -                     | 2,298,950         | 2,298,950        |
| <b>Movement in reserves during 2021/22</b>                               |                      |                       |                   |                  |
| Surplus or deficit on the provision of services                          | 83,755               | 83,755                | -                 | 83,755           |
| Other Comprehensive Income and Expenditure                               |                      | -                     | (91,498)          | (91,498)         |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>83,755</b>        | <b>83,755</b>         | <b>(91,498)</b>   | <b>(7,743)</b>   |
| Adjustments between accounting basis and funding basis under regulations | (83,755)             | (83,755)              | 83,755            | -                |
| <b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>   | <b>-</b>             | <b>-</b>              | <b>(7,743)</b>    | <b>(7,743)</b>   |
| Transfers to/from Earmarked Reserves                                     | -                    | -                     | -                 | -                |
| <b>Increase or Decrease in 2021/22</b>                                   | <b>-</b>             | <b>-</b>              | <b>(7,743)</b>    | <b>(7,743)</b>   |
| <b>Balance at 31 March 2022</b>  | <b>-</b>             | <b>-</b>              | <b>2,291,207</b>  | <b>2,291,207</b> |

| 2020/21  | General Fund Balance | Total Usable Reserves | Unusable Reserves | Total Reserves   |
|--|----------------------|-----------------------|-------------------|------------------|
|  | £000                 | £000                  | £000              | £000             |
| <b>Balance at 31 March 2020</b>  | -                    | -                     | 2,298,950         | 2,298,950        |
| <b>Movement in reserves during 2020/21</b>                               |                      |                       |                   |                  |
| Surplus or deficit on the provision of services                          | 54,496               | 54,496                | -                 | 54,496           |
| Other Comprehensive Income and Expenditure                               |                      | -                     | 375,424           | 375,424          |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>54,496</b>        | <b>54,496</b>         | <b>375,424</b>    | <b>429,920</b>   |
| Adjustments between accounting basis and funding basis under regulations | (54,496)             | (54,496)              | 54,496            | -                |
| <b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>   | <b>-</b>             | <b>-</b>              | <b>429,920</b>    | <b>429,920</b>   |
| Transfers to/from Earmarked Reserves                                     | -                    | -                     | -                 | -                |
| <b>Increase or Decrease in 2020/21</b>                                   | <b>-</b>             | <b>-</b>              | <b>429,920</b>    | <b>429,920</b>   |
| <b>Balance at 31 March 2021</b>  | <b>-</b>             | <b>-</b>              | <b>2,728,870</b>  | <b>2,728,870</b> |

## Cash Flow Statement

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

| 2020/21<br>£000 |   | Note | 2021/22<br>£000 |
|-----------------|---|------|-----------------|
| 54,496          | <b>Net (surplus) or deficit on the provision of services</b>  |      | 83,755          |
| (54,496)        | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements   | 16.1 | (83,755)        |
| -               | Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities |      |                 |
| -               | <b>Net cash flows from operating activities</b>   |      | -               |
| -               | Investing activities  |      | -               |
| -               | Financing activities  |      |                 |
| -               | <b>Net (increase) or decrease in cash and cash equivalents</b>  |      | -               |
| -               | 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.

| 2021/22  | General Fund Balance | Movement in Unusable Reserves |
|--|----------------------|-------------------------------|
|  | £000                 | £000                          |
| <b>Adjustments to the Revenue Resources</b>  |                      |                               |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: |                      |                               |
| Pension cost (transferred to (or from) the Pensions Reserve)   | (83,879)             | 83,879                        |
| Holiday pay (transferred to the Accumulated Absences reserve)  | 124                  | (124)                         |
| <b>Total Adjustments</b>   | <b>(83,755)</b>      | <b>(83,755)</b>               |

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

### 2. Expenditure and Funding Analysis

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

| 2020/21  |               |   | CC  | 2021/22  |               |   |
|--|---------------|---|---|--|---------------|---|
| 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  |
| 192,121  | 34,050        | 226,171   | Policing Services   | 205,753  | 50,888        | 256,641   |
| 103  | -             | 103   | Corporate & Democratic Core   | 160  | -             | 160   |
| -  | -             | -   | Commissioning   | -  | -             | -   |
| -  | (948)         | (948)   | Non-Distributed Costs   | -  | 130           | 130   |
| <b>192,224</b>                                 | <b>33,102</b> | <b>225,326</b>  | <b>Net Cost of Services</b>   | <b>205,913</b>                                 | <b>51,018</b> | <b>256,931</b>  |
| (192,224)                                      | 21,394        | (170,830)   | Other Income and Expenditure  | (205,913)                                      | 32,737        | (173,176)   |
| -  | <b>54,496</b> | <b>54,496</b>   | <b>Surplus or Deficit on Provision of Services</b>                                | -  | <b>83,755</b> | <b>83,755</b>   |
|  |               |   | Opening Combined General Fund Balance   |  |               |   |
| -  |               |   | Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis) | -  |               |   |
| -  |               |   | <b>Closing Combined General Fund Balance</b>                                      | -  |               |   |

#### 2.1 Note to Expenditure and Funding Analysis

|   | 2021/22                           |                                    |                             |                   |                   |
|---|-----------------------------------|------------------------------------|-----------------------------|-------------------|-------------------|
|   | Net Capital Statutory Adjustments | Net Pensions Statutory Adjustments | Other Statutory Adjustments | Other Differences | Total Adjustments |
|   | £000                              | £000                               | £000                        | £000              | £000              |
| Policing Services   | 2,582                             | 49,170                             | (1,693)                     | -                 | 50,059            |
| Corporate & Democratic Core   | -                                 | -                                  | -                           | -                 | -                 |
| Commissioning   | -                                 | -                                  | -                           | -                 | -                 |
| Non-Distributed Costs   | -                                 | 130                                | -                           | -                 | 130               |
| <b>Net Cost of Services</b>   | <b>2,582</b>                      | <b>49,300</b>                      | <b>(1,693)</b>              | <b>-</b>          | <b>50,189</b>     |
| Other Income and Expenditure  | (2,582)                           | 34,579                             | 1,569                       | -                 | 33,566            |
| <b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b> | <b>-</b>                          | <b>-</b>                           | <b>(124)</b>                | <b>-</b>          | <b>83,755</b>     |

## Notes to the core financial statements

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

### 2.2 Expenditure and Income Analysed by Nature

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

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

| 2020/21<br>Outturn<br>£000 |   | Note | 2021/22<br>Outturn<br>£000 |
|----------------------------|---|------|----------------------------|
| 114,989                    | Police officer pay and allowances         |      | 122,429                    |
| 59,316                     | Police staff pay and allowances           |      | 61,833                     |
| 3,588                      | Police pensions                           |      | 3,648                      |
| 28,397                     | IAS 19 Current Cost Adjustment (pensions) | 14   | 49,170                     |
| 1,043                      | Other employees expenses                  |      | 1,774                      |
| 5,409                      | Premises                                  |      | 5,417                      |
| 3,127                      | Transport                                 |      | 3,770                      |
| 19,027                     | Supplies and services                     |      | 19,426                     |
| 6,182                      | Agency and contracted services            |      | 6,605                      |
| <b>241,078</b>             | <b>Total Expenses</b>                     |      | <b>274,072</b>             |

| 2020/21<br>£000 | Grant Income                          | 2021/22<br>£000 |
|-----------------|---------------------------------------|-----------------|
|                 | <b>Credited to services:</b>          |                 |
| (2,557)         | Covid-19 Grant                        | -               |
| (2,746)         | Dedicated Security Grant              | (2,930)         |
| (421)           | Special Operations                    | (637)           |
| (915)           | Serious Violent Crime Initiatives     | (1,115)         |
| (827)           | Proceeds of Crime Act/Incentivisation | (375)           |
| (1,903)         | Police Pensions Grant                 | (631)           |
| (2,498)         | Police Uplift Programme Grant         | (1,903)         |
| (997)           | EMSOU (22.9% Share)                   | (1,621)         |
| (701)           | Others                                | (798)           |
| <b>(13,565)</b> | <b>Total</b>                          | <b>(10,010)</b> |

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

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

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

| 2020/21<br>Outturn<br>£000 |                            | Note | 2021/22<br>Outturn<br>£000 |
|----------------------------|----------------------------|------|----------------------------|
| 52,218                     | Pensions net interest cost | 14   | 59,269                     |
| <b>52,218</b>              |                            |      | <b>52,218</b>              |

**4. Officers' remuneration**

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

| 2021/22   | Notes | Salary         | Benefits in kind | Other payments | Expense Allowances | Pension contributions | Total          |
|---|-------|----------------|------------------|----------------|--------------------|-----------------------|----------------|
|   |       | £              | £                | £              | £                  | £                     | £              |
|   |       |                |                  | Note 1         | Note 2             |                       |                |
| <b>The Office of the CC</b>                           |       |                |                  |                |                    |                       |                |
| Chief Constable – Mr Siomon Cole (Retired 21/03/2022) |       | 159,413        |                  | 4,418          | 8,675              | -                     | 172,506        |
| Chief Constable (Commenced 19/03/2022)                |       | 5,476          |                  | 118            | 297                | 1,697                 | 7,588          |
| Deputy Chief Constable (Until 18/03/2022)             | 4     | 124,747        |                  | 3,258          | 4,851              | 38,671                | 171,527        |
| Deputy Chief Constable (commenced 19/03/2022)         |       | 4,517          |                  | 118            | 175                | 1,291                 | 6,101          |
| Assistant Chief Constables                            |       |                |                  |                |                    |                       |                |
| Senior Police Officer N (Until 18/03/2022)            | 5     | 115,054        |                  | 3,258          | 4,851              | 35,667                | 158,830        |
| Senior Police Officer O                               |       | 119,220        | 5,321            |                | 750                | 36,958                | 162,249        |
| Senior Police Officer P (Until 31/05/2021)            | 6     | 18,734         |                  | 439            | 838                | 4,740                 | 24,751         |
| Senior Police Officer Q (Commenced 14/02/2022)        | 7     | 13,524         |                  |                | 159                | 3,643                 | 17,326         |
| Assistant Chief Officers                              |       |                |                  |                |                    |                       |                |
| Finance & Resources                                   | 8     | 106,939        |                  |                | 5,542              | 25,452                | 137,933        |
| ACO Human Resources                                   |       | 89,319         |                  |                | 5,527              | 21,258                | 116,104        |
|   |       | <b>756,943</b> | <b>5,321</b>     | <b>11,609</b>  | <b>31,665</b>      | <b>169,377</b>        | <b>974,915</b> |

**Note 1** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (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 Deputy Chief Constable held the post until the 18/03/2022 on an annualised salary of £129,264. On the 19/03/2022 this officer was temporary promoted to Chief Constable on an annualised salary of £156,693

**Note 5** – Senior Police Officer N held the post of Leicestershire ACC until the 18/03/2022 on an annualised salary of £119,220. On the 19/03/2022 this officer was temporary promoted to Deputy Chief Constable on an annualised salary of £129,264

**Note 6** – Senior Police Officer P ceased holding the rank of Assistant Chief Constable on the 31/05/2022 on an annualised salary of £112,404

**Note 7** - Senior Officer Q (ACC rank) commenced on the 14/02/2022 on an annualised salary of £105,600

**Note 8** - Until the 14/11/2021 The Assistant Chief Officer (Finance & Resources) for Leicestershire was 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 2021/22 the OPCC contributed £3.7k towards these costs. From the 15/11/2021 the Assistant Chief Officer (Finance and Resources) returned to his role as CFO for the Chief Constable.

| 2020/21                         | Notes | Salary         | Benefits in kind | Other payments | Expense allowances | Pension contributions | Total          |
|---------------------------------|-------|----------------|------------------|----------------|--------------------|-----------------------|----------------|
|                                 |       | £              | £                | £<br>Note 1    | £<br>Note 2        | £                     | £              |
| <b>The Office of the CC</b>     |       |                |                  |                |                    |                       |                |
| 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        |
|                                 |       | <b>816,947</b> | -                | <b>6,009</b>   | <b>24,598</b>      | <b>142,982</b>        | <b>990,535</b> |

**Note 1** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (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

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

| Remuneration band<br>£ | 2020/21             | 2021/22             |
|------------------------|---------------------|---------------------|
|                        | number of employees | number of employees |
| 50,000 to 54,999       | 26                  | 34                  |
| 55,000 to 59,999       | 3                   | 9                   |
| 60,000 to 64,999       | 5                   | 4                   |
| 65,000 to 69,999       | 3                   | 1                   |
| 70,000 to 74,999       | 6                   | 8                   |
| 75,000 to 79,999       | 1                   | 2                   |
| 80,000 to 84,999       | 1                   | 2                   |
| 85,000 to 89,999       | 1                   | 1                   |
| 90,000 to 94,999       | 1                   | -                   |
| 95,000 to 99,999       | -                   | -                   |
| 120,000 to 124,999     | 1                   | -                   |

- 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, 12 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 £ |                |
|---|-----------------------------------|----------|-----------------------------------|----------|--|----------|--|----------------|
|   | 2020/21                           | 2021/22  | 2020/21                           | 2021/22  | 2020/21                                    | 2021/22  | 2020/21                                    | 2021/22        |
| £0 - £20,000  | 3                                 | 1        | -                                 | -        | 3  | 1        | 20,484                                     | 18,031         |
| £20,001 - £40,000                                   | -                                 | -        | -                                 | 1        | -  | 1        | -  | 23,142         |
| £40,001 - £60,000                                   | -                                 | -        | -                                 | -        | -  | -        | -  | -              |
| £60,001 - £80,000                                   | -                                 | -        | -                                 | -        | -  | -        | -  | -              |
| £80,001 - £100,000                                  | -                                 | 1        | -                                 | -        | -  | 1        | -  | 110,116        |
| £100,001 - £150,000                                 | -                                 | -        | -                                 | -        | -  | -        | -  | -              |
| <b>total</b>  | <b>3</b>                          | <b>2</b> | <b>-</b>                          | <b>1</b> | <b>3</b>                                   | <b>3</b> | <b>20,484</b>                              | <b>151,289</b> |

The CC terminated the contracts of a number of employees in 2021/22, incurring liabilities of £151k (£20k in 2020/21).

## 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<br><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,<br>Northamptonshire and Lincolnshire | 29.30 %     | Lincolnshire   |
| Specialist Operations Training                                    | Leicestershire, Northamptonshire<br>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,<br>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<br>and Warwickshire                  | 33.33 %     | Leicestershire |

The following tables relate to Leicestershire's share only.

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

| 2020/21<br>£000 |  | 2021/22<br>£000 |
|-----------------|--|-----------------|
| 2,777           | Police pay & allowances  | 2,807           |
| 5,431           | Police Staff pay & allowances  | 5,939           |
| 151             | Other employees expenses   | 234             |
| 132             | Premises   | 129             |
| 277             | Transport  | 159             |
| 1,003           | Supplies & services  | 1,268           |
| 16              | Agency & contracted services   | -               |
| (997)           | Income from Government Grants  | (1,116)         |
| (272)           | Income from Fees & charges   | (313)           |
| (8,789)         | Funding provided to the pooled budget  | (9,299)         |
| 344             | Depreciation & Amortisation  | 418             |
| -               | (Surplus / Deficit on revaluation of non-current assets (not covered by accumulated revaluation gains) | -               |
| <b>73</b>       | <b>Cost of Services</b>  | <b>226</b>      |
| -               | Gains / Losses on disposal of non-current assets   | (4)             |
| (97)            | Capital Grants & Contributions   | (82)            |
| <b>(24)</b>     | <b>(Surplus) / Deficit on Provision of Services</b>  | <b>140</b>      |
| (37)            | (Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)    | (9)             |
| <b>(61)</b>     | <b>Total Comprehensive Income &amp; Expenditure</b>  | <b>131</b>      |

## 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 2021/22 the OCC incurred the following fees relating to external audit.

| 2020/21<br>£000 | Costs               | 2021/22<br>£000 |
|-----------------|---------------------|-----------------|
| 12              | Scale Fee (2021/22) | 12              |
| 5               | Additional Fees     | 19              |
| -               | Audit Rebate        | (2)             |
| <b>17</b>       | <b>Total</b>        | <b>29</b>       |

The OCC received a grant of £6k during 2021/22, under Section 31 of the Local Government Act 2003 – Grant Determination. This was in response to the Redmond Review and relates to a Local Audit Fees Grant.

## 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 (2020/21 – 5). 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 2021<br>£000 |                              | 31st March 2022<br>£000 |
|-------------------------|------------------------------|-------------------------|
|                         | <b>Short-term debtors</b>    |                         |
| 30                      | Central government bodies    | 28                      |
| 25                      | Local authorities            | 26                      |
| 78                      | Other Entities & Individuals | 78                      |
| <b>133</b>              |                              | <b>132</b>              |

## 10. Creditors

| 31st March 2021<br>£000 |                              | 31st March 2022<br>£000 |
|-------------------------|------------------------------|-------------------------|
|                         | <b>Short-term creditors</b>  |                         |
| (3,900)                 | Central government bodies    | (3,877)                 |
| (4,815)                 | Other Entities & Individuals | (4,690)                 |
| <b>(8,715)</b>          |                              | <b>(8,567)</b>          |

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

## 11. Financial Instruments

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

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

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

### 12. Unusable reserves

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

| 31st March<br>2021<br>£000 |                                | Note | 31st March<br>2022<br>£000 |
|----------------------------|--------------------------------|------|----------------------------|
| 2,724,057                  | Pension reserve                | 13   | 2,716,438                  |
| 4,813                      | Accumulated absences account   | 15   | 4,689                      |
| <b>2,728,870</b>           | <b>Total unusable reserves</b> |      | <b>2,721,127</b>           |

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

### 13. Pensions reserve

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

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

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

| 2020/21<br>£000  |  | Note | 2021/22<br>£000  |
|------------------|--|------|------------------|
| <b>2,294,748</b> | <b>Balance at 1st April</b>  |      | <b>2,724,057</b> |
| 375,424          | Actuarial gains or losses on pensions assets and liabilities   |      | (91,498)         |
| 90,836           | 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 | 123,380          |
| (36,951)         | Employer's pensions contributions and direct payments to pensioners payable in the year  | 1    | (39,501)         |
| <b>2,724,057</b> | <b>Balance at 31st March</b>   |      | <b>2,716,438</b> |

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

### 14. Defined benefit pension schemes

*This note reports the main pension funds of the Group. As in previous years 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 1<sup>st</sup> April 2014 scheme members now accrue pension entitlements based on their career-average rather than their final salary.

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

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

Three schemes were in operation during 2021/22 as well as injury awards:

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

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

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

## Notes to the core financial statements

|   | Local Government Pension Scheme |                 | Police Pension Schemes |               | Comprehensive Income & Expenditure Account |                |
|---|---------------------------------|-----------------|------------------------|---------------|--|----------------|
|   | 2020/21                         | 2021/22         | 2020/21                | 2021/22       | 2020/21                                    | 2021/22        |
|   | £000                            | £000            | £000                   | £000          | £000                                       | £000           |
| <b>Cost of services:</b>  |                                 |                 |                        |               |  |                |
| Current service cost  | 15,559                          | 25,520          | 49,789                 | 63,151        | 65,348                                     | 88,671         |
| Past service cost   | (948)                           | 130             | -                      | -             | (948)                                      | 130            |
| (Gain) / loss from settlements  | -                               | -               | -                      | -             | -  | -              |
|   | 14,611                          | 25,650          | 49,789                 | 63,151        | 64,400                                     | 88,801         |
| <b>Other Operating Expenditure:</b>   |                                 |                 |                        |               |  |                |
| Funding from OPCC   | -                               | -               | (25,782)               | (24,690)      | (25,782)                                   | (24,690)       |
| <b>Financing &amp; investment income/expenditure:</b>                             |                                 |                 |                        |               |  |                |
| Net Interest cost   | 2,015                           | 3,223           | 50,203                 | 56,046        | 52,218                                     | 59,269         |
| <b>Net charge to surplus / deficit on provision of services</b>                   | <b>16,626</b>                   | <b>28,873</b>   | <b>74,210</b>          | <b>94,507</b> | <b>90,836</b>                              | <b>123,380</b> |
| <b>Other comprehensive income &amp; expenditure:</b>                              |                                 |                 |                        |               |  |                |
| Return on Plan Assets (excluding the amount included in the net interest expense) | (49,270)                        | (26,905)        | -                      | -             | (49,270)                                   | (26,905)       |
| Actuarial (gains)/losses on changes in demographic assumptions                    | 5,400                           | (2,196)         | -                      | (22,444)      | 5,400                                      | (24,640)       |
| Actuarial gains and losses arising on changes in financial assumptions            | 105,263                         | (36,896)        | 340,142                | (61,192)      | 445,405                                    | (98,088)       |
| Other (if applicable)   | (2,851)                         | 941             | (23,260)               | 57,194        | (26,111)                                   | 58,135         |
| <b>Net charge to total comprehensive income &amp; expenditure</b>                 | <b>75,168</b>                   | <b>(36,183)</b> | <b>391,092</b>         | <b>68,065</b> | <b>466,260</b>                             | <b>31,882</b>  |
| <b>Statement of Movement in Reserves:</b>   |                                 |                 |                        |               |  |                |
| Reversal of items not permitted to be charged to the general fund by statute      | (75,168)                        | 36,183          | (391,092)              | (68,065)      | (471,908)                                  | (31,882)       |
| Employer Contributions  | 10,852                          | 12,038          | 26,099                 | 27,463        | 36,951                                     | 39,501         |
| <b>Net charge to general fund</b>   | <b>10,852</b>                   | <b>12,038</b>   | <b>26,099</b>          | <b>27,463</b> | <b>36,951</b>                              | <b>39,501</b>  |
| Retirement benefits payable to pensioners   | n/a                             |                 | n/a                    |               | n/a  |                |
| <b>Analysed as:</b>   |                                 |                 |                        |               |  |                |
| Employers' contributions payable to schemes                                       | 10,852                          | 12,038          | 23,456                 | 24,907        | 34,308                                     | 39,501         |
| Employers' contributions payable to schemes – Cash Top-Up                         | -                               | -               | -                      | -             | -  | -              |
| Direct payments - Injury awards payable   | -                               | -               | 2,643                  | 2,556         | 2,643                                      | -              |
| <b>Total</b>  | <b>10,852</b>                   | <b>12,038</b>   | <b>26,099</b>          | <b>27,463</b> | <b>36,951</b>                              | <b>39,501</b>  |

### 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      |                    |
|--|---------------------------------|------------------|------------------------|--------------------|--------------------|--------------------|
|  | 2020/21                         | 2021/22          | 2020/21                | 2021/22            | 2020/21            | 2021/22            |
| Present value of the defined benefit obligation              | (427,044)                       | (421,427)        | (2,573,495)            | (2,614,097)        | (3,000,539)        | (3,035,524)        |
| Fair value of plan assets                                    | 276,482                         | 319,086          | -                      | -                  | 276,482            | 319,086            |
| <b>Sub total</b>   | <b>(150,562)</b>                | <b>(102,341)</b> | <b>(2,573,495)</b>     | <b>(2,614,097)</b> | <b>(2,724,057)</b> | <b>(2,716,438)</b> |
| Other movements in the liability (asset) (if applicable)     | -                               | -                | -                      | -                  | -                  | -                  |
| <b>Net liability arising from defined benefit obligation</b> | <b>(150,562)</b>                | <b>(102,341)</b> | <b>(2,573,495)</b>     | <b>(2,614,097)</b> | <b>(2,724,057)</b> | <b>(2,716,438)</b> |

### 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 |          |
|--|---------------------------------|----------------|------------------------|----------|
|  | 2020/21                         | 2021/22        | 2020/21                | 2021/22  |
|  | £000                            | £000           | £000                   | £000     |
| Opening fair value of scheme assets  | 213,309                         | 276,482        | -                      | -        |
| Interest Income  | 5,004                           | 5,765          | -                      | -        |
| <b>Remeasurement gain/(loss)</b>   |                                 |                |                        |          |
| The return on plan assets; excluding the amount included in the net interest expense | 49,270                          | 26,905         | -                      | -        |
| Other (if applicable)  | -                               | -              | -                      | -        |
| The effect of changes in foreign exchange rates                                      | -                               | -              | -                      | -        |
| Contributions from employer  | 10,852                          | 12,038         | 26,099                 | 27,463   |
| Employer Contributions (Top Up Grant)  |                                 |                | 25,782                 | 24,690   |
| Contributions from employees into the scheme   | 3,112                           | 3,288          | 9,708                  | 10,246   |
| Benefits paid  | (5,065)                         | (5,392)        | (61,589)               | (62,399) |
| Other (if applicable)  | -                               | -              | -                      | -        |
| <b>Closing fair value of scheme assets</b>   | <b>276,482</b>                  | <b>319,086</b> | <b>-</b>               | <b>-</b> |

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

|  | Local Government Pension Scheme |                  | Police Pension Schemes |                    |
|--|---------------------------------|------------------|------------------------|--------------------|
|  | 2020/21                         | 2021/22          | 2020/21                | 2021/22            |
|  | £000                            | £000             | £000                   | £000               |
| <b>Opening balance at 1 April</b>  | <b>(299,555)</b>                | <b>(427,044)</b> | <b>(2,208,502)</b>     | <b>(2,573,495)</b> |
| Current Service Cost   | (15,559)                        | (25,520)         | (49,789)               | (63,151)           |
| Interest Cost  | (7,019)                         | (8,988)          | (50,203)               | (56,046)           |
| Contributions from scheme participants                                   | (3,112)                         | (3,288)          | (9,708)                | (10,246)           |
| Remeasurement (gains) and losses   |                                 |                  |                        |                    |
| • Actuarial gains/losses arising from changes in demographic assumptions | (5,400)                         | 2,196            | -                      | 22,444             |
| • Actuarial gains/losses arising from changes in financial assumptions   | (105,263)                       | 36,896           | (340,142)              | 61,192             |
| • Other (if applicable)  | 2,851                           | (941)            | 23,260                 | (57,194)           |
|  | 948                             | (130)            | -                      | -                  |
| Past service cost  | -                               | -                | -                      | -                  |
| Losses/(gains) on curtailment (where relevant)                           | -                               | -                | -                      | -                  |
| Liabilities assumed on entity combinations                               | -                               | -                | -                      | -                  |
| Benefits paid  | 5,065                           | 5,392            | 61,589                 | 62,399             |
| Liabilities extinguished on settlements (where relevant)                 | -                               | -                | -                      | -                  |
| <b>Closing balance at 31 March</b>                                       | <b>(427,044)</b>                | <b>(421,427)</b> | <b>(2,573,495)</b>     | <b>(2,614,097)</b> |

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

The liabilities show the underlying commitments that the OCC has in the long run to pay for retirement benefits. The total net liability of £2,716m has a substantial impact on the net worth of the OCC as recorded in the balance sheet, resulting in a negative overall balance of £2,721m. However, the statutory arrangements for funding the deficit mean that the financial position of the OCC remains stable.

The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. With effect from 1<sup>st</sup> April 2021 the employer's contribution rate increased to 23.8% (22.8% for 2020/21) and is due to rise to 24.8% in 2022/23.

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 31<sup>st</sup> March 2022 and will take place during 2022/23.

The deficit on the LGPS scheme has decreased by £48m between March 2021 and March 2022 due 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 2021/22. The next Police Pension valuation is due to be reported in 2023/24, 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 were 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 8<sup>th</sup> October 2020. On the 13<sup>th</sup> May 2021, the government issued a statement confirming the key changes they will make to the LGPS scheme to remove the age discrimination.

### 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 2022 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 2023/24, 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

Claimants have lodged claims for compensation under two active sets of litigation, Aarons and Penningtons.

#### ***Aarons & Ors***

Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims are due to be heard by the Employment Tribunal in December 2022. The settlement of the injury to feelings claims for Aarons sets a helpful precedent.

Therefore no liability in respect of compensation claims is recognised in these accounts.

#### ***Penningtons***

As at 31 March 2022, 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 prior year exercises.

## Notes to the core financial statements

### Basis for Estimating Assets and Liabilities

|  | Local Gov't Scheme |         | Police Schemes |         |
|--|--------------------|---------|----------------|---------|
|  | 2020/21            | 2021/22 | 2020/21        | 2021/22 |
|  | Years              | Years   | Years          | Years   |
| <b>Mortality assumptions:</b>  |                    |         |                |         |
| <b>Longevity at 65 (60 for police schemes) for current pensioners:</b> |                    |         |                |         |
| • Men  | 21.7               | 21.5    | 27.1           | 26.9    |
| • Women  | 24.2               | 24      | 29.2           | 29.1    |
| <b>Longevity at 65 (60 for police schemes) for future pensioners:</b>  |                    |         |                |         |
| • Men  | 22.6               | 22.4    | 29.3           | 29.2    |
| • Women  | 25.9               | 25.7    | 31.4           | 31.3    |

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

|  | Local Gov't Scheme |         | Police Schemes |         |
|--|--------------------|---------|----------------|---------|
|  | 2020/21            | 2021/22 | 2020/21        | 2021/22 |
| • rate of inflation (increase or decrease by 1%)                       | 3.35%              | 3.65%   | 2.70%          | 3.20%   |
| • rate of increase in salaries (increase or decrease by 1%)            | 3.30%              | 3.65%   | 4.20%          | 4.70%   |
| • rate of increase in pensions (increase or decrease by 1%)            | 2.80%              | 3.15%   | 2.80%          | 3.30%   |
| • rate for discounting scheme liabilities (increase or decrease by 1%) | 2.05%              | 2.75%   | 2.20%          | 2.80%   |

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

| 2020/21<br>£000 | Fair Value of Scheme Assets                 | 2021/22<br>£000 |
|-----------------|---|-----------------|
| 8,283           | Cash and cash equivalents                   | 16,112          |
|                 | <i>Equity instruments: by industry type</i> |                 |
| 707             | Consumer                                    | 371             |
| 207             | Manufacturing                               | 46              |
| 581             | Energy and utilities                        | 459             |
| 877             | Financial institutions                      | 645             |
| 204             | Health and care                             | 259             |
| 233             | Information technology                      | 133             |
| 2,005           | Other                                       | 748             |
| <b>4,814</b>    | <b>Sub total equity</b>                     | <b>2,661</b>    |
|                 | <i>Bonds: by sector</i>                     |                 |
| 23,410          | UK Government                               | 16,018          |
| 3,581           | Other                                       | 599             |
| <b>26,991</b>   | <b>Sub total bonds</b>                      | <b>16,617</b>   |
|                 | <i>Property: by type</i>                    |                 |
| 20,665          | UK Property                                 | 24,550          |
| -               | Overseas Property                           | -               |
| <b>20,665</b>   | <b>Sub total property</b>                   | <b>24,550</b>   |
|                 | <i>Private equity</i>                       |                 |
| 12,750          | All   | 21,339          |
| <b>12,750</b>   | <b>Sub total private equity</b>             | <b>21,339</b>   |
|                 | <i>Other investment funds</i>               |                 |
| 111,045         | Equities                                    | 146,914         |
| 11,683          | Bonds                                       |                 |
| 23              | Hedge Funds                                 |                 |
| 9,779           | Commodities                                 | 8,007           |
| 14,541          | Infrastructure                              | 16,683          |
| 56,261          | Other                                       | 65,541          |
| <b>203,331</b>  | <b>Sub total other investment funds</b>     | <b>237,145</b>  |
|                 | <i>Derivatives</i>                          |                 |
| (351)           | Forward foreign exchange contracts          | 662             |
| <b>276,482</b>  | <b>Total assets</b>                         | <b>319,086</b>  |

### 15. Accumulated absences account

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

During 2021/22 Police Officer Annual Leave decreased from £1,439k to £1,298k, Rest days in lieu increased from £802k to £1,470k and Time off in lieu decreased from £674k to £74k. Police Staff Annual leave decreased from £939k to £867k, Rest day in lieu from £286k to £291k, Time off in lieu from £409k to £435k and Flexi Time from £119k to £117k. Overall the movement for Police Officers and Police Staff is minimal. With COVID-19 still having an impact in 2021/22 Officers and Staff have continued to carry over as much Annual Leave as possible.

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

| 2020/21<br>£000  |  | 2021/22<br>£000  |
|------------------|--|------------------|
| (4,202)          | <b>Balance at 1<sup>st</sup> April</b>   | (4,813)          |
| 4,202<br>(4,813) | Reversal of opening accrual made at the end of the preceding year<br>Amounts accrued at the end of the current year  | 4,813<br>(4,689) |
| (611)            | 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 | 124              |
| (4,813)          | <b>Balance at 31<sup>st</sup> March</b>  | (4,689)          |

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.

| 2020/21<br>OCC<br>£000 |  | Note | 2021/22<br>OCC<br>£000 |
|------------------------|--|------|------------------------|
| -                      | Increase/(decrease) in impairment bad debts  |      | -                      |
| (259)                  | Increase/(decrease) in creditors/RIA   |      | 3,902                  |
| 259                    | Increase/(decrease) in debtors/PIA   |      | (3,902)                |
| -                      | Increase/(decrease) in inventories   |      | -                      |
| (53,885)               | Movement in pension liability  |      | (83,879)               |
| -                      | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised |      | -                      |
| (611)                  | Other non-cash items charged to the net surplus or deficit on the provision of services          |      | 124                    |
| (54,496)               |  |      | (83,755)               |

### 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 29<sup>th</sup> July 2022. 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 Police and Crime Commissioner increased during 2021/22 and 2022/23 the outcome of the 2021 comprehensive spending review (SR2021) only provided a high level

indication of the increase in overall grant funding for 2023/24 and 2024/25 for the service as a whole, therefore a degree of uncertainty regarding future levels of funding for the Group continues.

The organisation has adapted to new ways of working to maintain essential services and safeguard their employees wherever possible following the global Covid-19 pandemic, these have now become 'business as usual'. The OPCC/Group with its partners have adapted accordingly to continue to keep communities safe.

The OPCC/Group has determined that this uncertainty around future funding are not yet sufficient to provide an indication that the assets of the OPCC/Group might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

The PCC / CC for Leicestershire is involved in various joint arrangements with other Forces in the East Midlands which are detailed in Note 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 2022 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 31<sup>st</sup> March 2022 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 4.28% of total income (2020/21 – 3.41%). 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. A bad debt provision of £3k has been allowed for in 2021/22 (2020/21 – 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 2021/22 financial year and its position at the year-end of 31<sup>st</sup> March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* (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 1<sup>st</sup> April as future pay increases may be subject to change).

The accrual is charged to the Comprehensive Income & Expenditure Statement (within the surplus/deficit on the provision of services) and reversed out through the Movement in Reserves Statement. On the balance 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the OCC can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

#### ***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 the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment 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
- net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) charged to the pensions reserve as other comprehensive income and expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure.
- contributions paid to the Leicestershire 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 reporting period are those events, both favourable and unfavourable, that occur between the end of the Balance Sheet date 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:

| 2020/21<br>£000 |  | 2021/22<br>£000 |
|-----------------|--|-----------------|
| (22,583)        | <b>Contributions receivable:</b>                           |                 |
| (874)           | <b>OPCC/Group</b>  |                 |
| (9,708)         | ■ employer's contributions                                 | (23,882)        |
|                 | ■ early retirements  | (1,025)         |
|                 | ■ officers' contributions                                  | (10,246)        |
| (33,165)        |  | (35,153)        |
| (549)           | <b>Transfers in from other pension schemes</b>             | (602)           |
|                 | <b>Benefits payable:</b>                                   |                 |
| 48,574          | ■ pensions   | 49,948          |
| 9,656           | ■ commutations and lump sum retirement benefits            | 9,208           |
| 1,203           | ■ ill-health commutations and lump sum retirement benefits | 1,210           |
| -               | ■ lump sum death benefits                                  | -               |
| 59,433          |  | 60,366          |
|                 | <b>Payments to and on account of leavers:</b>              |                 |
| 63              | ■ refund of contributions                                  | 80              |
| -               | ■ transfers out to other police Forces                     | -               |
| 63              |  |                 |
| <b>25,782</b>   | <b>Net amount payable for the year</b>                     | <b>24,691</b>   |
| <b>(25,782)</b> | <b>Additional funding Receivable from the Police Fund</b>  | <b>-</b>        |

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

| 31st<br>March<br>2021<br>£000 |                                       | 31st<br>March<br>2022<br>£000 |
|-------------------------------|---------------------------------------|-------------------------------|
| 3,003                         | <b>Current assets</b>                 |                               |
|                               | Contributions due from the OPCC/Group | 2,615                         |
|                               | <b>Current liabilities</b>            |                               |
|                               | Unpaid pensions benefits              | -                             |
| <b>3,003</b>                  |                                       | <b>2,615</b>                  |

### Notes

#### Note 1

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

#### Note 2

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

#### Note 3

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

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

#### Note 4

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. 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](http://www.leics.pcc.police.uk).

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

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

## 2) The Purpose of the Governance Framework

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

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

The Corporate Governance Framework (CGF) in place for 2021/22 was ratified in November 2020 following extensive consultation. The CGF is currently being reviewed by the PCC.

## 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:

- The Corporate Governance Framework;
- 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 2021/22, 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.

## Annual governance statement

Mazars also attended Regional CFO and Finance Director meetings to update on the progress of 2021/22 Regional Collaboration audits and the Regional Collaboration Internal Audit Plan and the proposed workplan and timescales for 2022/23.

The effectiveness of audit committees should be carried out periodically. A self-assessment effectiveness review was undertaken by the OPCC and JARAP members during 2021/22 using CIPFA guidance. The findings were reported to the JARAP at its meeting on 20 January 2022. 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 2022. 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 Organisation Risk Board (ORB), 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 new 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 Executive Group which oversees the transformational change programme designed to deliver an affordable and sustainable medium term financial position; and the identification of strategic risks, the development of risk mitigation strategies and ongoing monitoring;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action;
- A Force Organisational Risk Board which is responsible for the identification of strategic risks, the development of risk mitigation strategies and ongoing monitoring;
- Engagement in value for money benchmarking such as is conducted by Her Majesty’s Inspectorate of Constabulary (HMIC);
- Well researched and coherent Corporate Governance Framework that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriately qualified statutory officers within both the OPCC and OCC, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC;
- Internal Audit function where the plan is directed towards risk and emerging issues; and where the plan is shaped by both the OPCC and the OCC;
- External reviews and inspections including thematic reviews by HMICFRS which inform the PCC and the CC and highlight risks and learning points in addition to good practice;
- Codes of conduct and standards of behaviour policies for both police officers and staff;
- Determining the conditions of employment and remuneration of police officers and staff, within appropriate national frameworks;
- Governance arrangements with Partners which oversee keys areas of strategic partnership working such as the Strategic Partnership Board, chaired by the PCC with the CC and other key stakeholders in attendance;
- Regular reviews and updates on Regional Collaboration are discussed at the East Midlands PCC and CC Board who meet bi-monthly.

### Chief Finance Officer

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

(Section 114 of the Local Government Act 1988 as amended by paragraph 188 of Schedule 16 to the Police Reform and Social Responsibility Act 2011). The 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 2021/22 which continued to give assurance under the arrangements for the two corporation soles. These ensured specific local audits on:

- Recruitment
- Fleet Management
- Seized Property
- Core Financials
- Payroll
- Counter Fraud
- Health & Safety
- Governance
- IT Cyber Security

During 2021-22, the following collaborative audits or specific assignments were carried out:

- EMSOU - Wellbeing

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 2021 to 31 March 2022 and will be reported to and considered by the JARAP in August 2022. 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 2021/22 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 this was informed by consideration of this area through our individual assignments as well as the specific audit completed in this area. This received a satisfactory audit opinion indicating there is a basically sound system of internal control. It is noted that across the audits delivered some common recommendations related to review and update of policy, procedures or strategies a further common recommendation was developing performance indicators to ensure effective governance and oversight of areas takes place.

## Risk Management

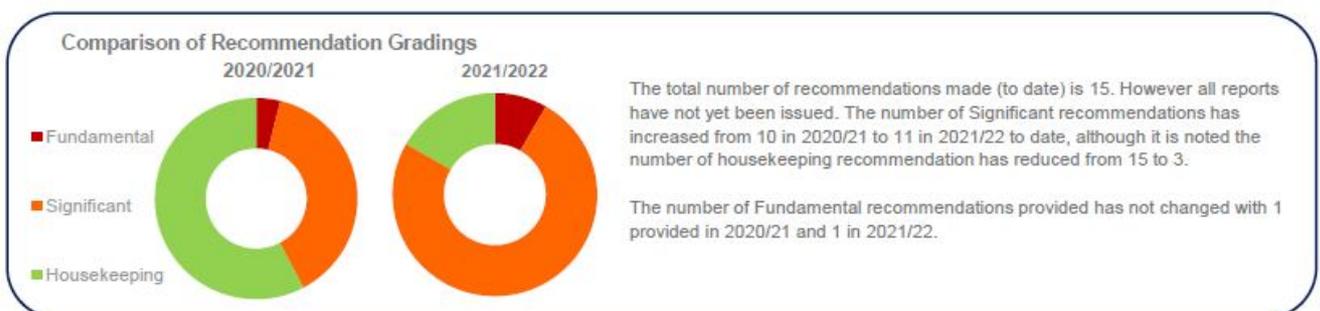
In respect of Risk while not directly assessed as part of the Plan, this was informed by consideration of this area through our individual assignments including where relevant. In addition to this our opinion was informed by consideration of risk management aspects through our individual assignments 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 2021/22 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 6 audits undertaken to date, where a formal assurance level was provided, 2 received a significant level of assurance and 4 audits received a satisfactory level of assurance. However, 3 audits are still to be finalised at time of writing (Counter Fraud, Health & Safety and IT Risk Management)

To date we have made a total of 15 new recommendations during the year at the Force and OPCC, 1 recommendation was categorised as Priority 1 with 11 recommendations categorised as Priority 2 and 3 were Priority 3.



## 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. Moreover, we have developed enhanced performance information that is presented during each of our JARAP progress reports.*

*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) will issue their 'Annual Audit Letter for the year ended 31 March 2021' in August 2022 and this will be considered by the JARAP at their meeting to be held on 25 August 2022. The letter will summarise the results of their 2020-21 audit and build on the draft 'Audit Results Report', which was presented to JARAP at their meeting in April 2022.

As the Annual Audit letter has not yet been issued the details can not be included in the annual governance statement however, based on the 'Audit Results Report' is expected that:

- *An 'Unqualified' opinion will be issued on the financial statements and that they give a true and fair view of the financial position of the PCC, CC, Group and Pension Fund as at 31 March 2021 and of its expenditure for the year then ended;*
- *other information published with the financial statements is consistent with the Annual Accounts;*
- *No significant deficiencies in the design or operation of an internal control that would result in a material misstatement in the financial statements;*
- *No significant weaknesses will be identified in the PCC and CCs arrangements for securing Value for money*
- *No matters will need to be reported in the public interest;*

The JARAP met virtually due to COVID restrictions four times during the year. The JARAP undertook a detailed work plan which included considering the work of internal and external audit, tracking of Internal Audit recommendations, risks and risk management and specific themes. In addition, the JARAP approved an annual workplan, for 2021, 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 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 2021/22 our internal auditors, Mazars, carried out 9 audits (three still outstanding). None of the 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 2 February 2022 which demonstrated that by increasing the precept by the maximum allowed over the 3 year Comprehensive Spending Review period, and through the prudent use of reserves, the medium term financial outlook now shows a balanced position after taking into account future efficiency savings.

### *HMIC Inspections and Force Performance*

#### **LEICESTERSHIRE POLICE CONGRATULATED FOR OUTSTANDING PERFORMANCE**

***“Leicestershire Police has performed well in a challenging policing environment and has been congratulated for its outstanding performance, the police inspectorate has said”.***

HMI’s PEEL inspection assessed how good Leicestershire Police is in ten areas of policing and they made graded judgments in nine of the following as follows:

- **Providing a service to the victims of crime** - HMI no longer make graded judgements in this overall area. However, HMI state – *“while this assessment is ungraded, it influences graded judgements in the other areas we have inspected”*
- **Recording data about crime** **OUTSTANDING**
- **Engaging with and treating the public with fairness and respect** **GOOD**
- **Preventing crime and anti-social behaviour** **OUTSTANDING**
- **Responding to the public** **ADEQUATE**
- **Investigating Crime** **ADEQUATE**
- **Protecting vulnerable people** **OUTSTANDING**
- **Managing Offenders and Suspects** **GOOD**
- **Building Supporting and Protecting the Workforce** **GOOD**
- **Strategic Planning & Organisational Development** **GOOD**

**INNOVATION** – Importantly, 8 Areas of ‘Innovative Practice’ were identified by HMI inspectors, which is one of the highest currently [June 2022 - 15 forces results published so far].

- Disrupting Serious and Organised Crime SOC – Very positive de-brief received from Her Majesty’s Inspectorate. Final grade yet to be confirmed and published later in 2022.

#### **Key Highlights reported so far 2021-22 by Her Majesty’s Inspectorate of Constabulary:**

1. *The force has significantly improved on its PEEL performance grades last awarded in 2018-19 in which the force received Good grades for each pillar of the PEEL; resulting in an overall GOOD grade [inspections were suspended during 2020-21].*

*For the 2021-22 PEEL the force has so far received the following step-change in recognised performance:*

- a. **3 Outstanding grades**
- b. **4 Good grades**
- c. **2 Adequate grades**

2. Areas of notable improvement include:

- a. **Compliance in relation to Crime Data recording [Crime Data Integrity CDI];**
- b. **Preventing crime and anti-social behaviour and importantly the**
- c. **Protection of Vulnerable People PVP.**

3. Leicestershire Police are:

- a. *the only force so far [June 2022] awarded 'Outstanding' for Protecting Vulnerable People PVP;*
- b. *one of the forces with the lowest number of Areas for Improvement identified by HMI*
- c. *one of the forces with the highest number of 'innovations' identified by HMI*
- d. *As predicted, Leicestershire is on a par with West Yorkshire Police; a metropolitan force that receives a significantly larger budget settlement.*
- e. *As the PEEL grades are published it is anticipated that Leicestershire Police will be recognised both nationally and within its Most Similar Forces MSF group as one of the best performing police forces in the country.*

4. The full inspection report can be found at the following link: [LINK](#)

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

### *High priority strategic risks*

At the end of March 2022 the Strategic Risk Register highlighted 13 strategic risks that were judged to be high priority. They were:

- The Financial Challenge - 2021/22 – 2024/25
- Capacity within I.T. to support and enable digital transformation
- Inability to meet regional Occupational Health demand
- Churn of staff and ongoing establishment pressure
- Pension remedy for police pension scheme
- Current JES non-equalities compliant and the implementation of new JES scheme carries risk
- Complying with Home Office Counting Rules & ensuring high levels of crime data integrity
- Safeguarding repeat domestic abuse victims
- Violence, abuse and intimidation against women and girls
- Risk of not conducting appropriate health surveillance
- Removal, retention and deletion of data in Digital Hub
- Number of historical investigations subject to public inquiry
- High profile complaints and legal claims

All of these risks are being managed through the Organisation Risk Board (ORB) and the JARAP, with exception performance reporting to the Strategic Performance Delivery Board (SPDB) and where necessary the Force Executive Group.

### *Reflecting the challenges from coronavirus*

The AGS assesses the adequacy and effectiveness of the governance arrangements in place during 2021/22 and therefore the majority of the year continued to be 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.

## Annual governance statement

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. This ceased in June 2022.

A more agile approach to delivering services continued 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. A formal hybrid working policy was introduced in June 2022.

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

From a governance perspective, the PCC was 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.

The Chief Constable's Chief Officer Team (COT) met twice a week to enable swift decision-making and suitable oversight of the Force response to COVID-19.

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 height of the pandemic and thereafter.

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. As the restrictions on gathering eased, the Force Executive Group and SPDG meetings returned move from virtual to in person.

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 and beyond. In addition, the agenda and papers for public meetings that would have taken place e.g. the Joint Audit, Risk and Assurance Panel on 29<sup>th</sup> 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 continued to meet during the year. The Budget meeting in February 2022 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 to be undertaken at the PCC's Corporate Governance Board.

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 monthly.

### **Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services HMICFRS 'Policing in the pandemic - The police response to the coronavirus pandemic during 2020'**

In March 2020, HMICFRS suspended all inspection work requiring appreciable contributions from police forces and fire and rescue services, so that they could focus on responding to the pandemic.

In July 2020, HMICFRS announced their intention to inspect the police response to the COVID-19 pandemic. The inspection took a snapshot of policing and assessed what happened from March to November 2020.

HMI consulted many interested parties about the aspects of policing that the scrutiny should cover.

The inspection focused on:

- preparation for the pandemic;
- overall leadership;
- working with other organisations;
- policing – workforce wellbeing, protecting people who are vulnerable, requests for service, investigating crime, enforcing coronavirus legislation (the Four Es approach – engage, explain, encourage, enforce); and
- arrangements for keeping people in custody.

In April 2021, HMI published their findings, link to the full public facing report here [LINK](#)

For thematic inspections HMICFRS only name forces where good practice is identified – Leicestershire police were referenced 7 times in their report as follows:

*Many forces gave examples of joint training. This aimed at a common understanding of other organisations' capabilities and working practices for a co-ordinated response to incidents of varying severity. **Leicestershire Police** gave us some examples of partnership working in response to real-life emergencies such as the Hinckley Road explosion and the fatal helicopter crash at Leicester City football ground, both in 2018. The response to these events helped to strengthen further the already strong relationships within the LRF - page 14.*

*We found that senior leaders used effective methods to inform their communities and staff of the latest developments and changes to regulations. **Leicestershire Police** adapted an existing online community consultation facility to keep local communities informed. The levels of community engagement were high and the response to this was more positive than the force had anticipated. Feedback showed that communities were supportive of the police response to the pandemic. Within the force, the chief constable used an online forum to communicate regularly with officers and staff. This was very well received – page 22*

*In April, **Leicestershire Police** produced an intranet article for all staff based on a Home Office public campaign 'At home shouldn't mean at risk' that was also publicised on all social media channels. This highlighted the need for additional vigilance to identify vulnerability in the type of questioning used, the benefits in issuing a public protection notice, and looking beyond the obvious causes or complaints – page 25.*

*As lockdown measures eased, domestic homicide and reporting of domestic abuse both increased. **Leicestershire Police** listed all high-risk domestic abuse cases for fortnightly face-to-face visits and neighbourhood teams were instructed to be aware of the cases – page 29*

***Leicestershire Police** joined with victim support services to create posters and messaging to support victims of domestic abuse. These had updated information about online and telephone support in the absence of face-to-face services – page 30.*

*All forces adapted their internal systems and introduced processes to monitor and implement the Four Es approach effectively. But few forces were able to check public reaction. **Leicestershire Police** completed a community survey, which showed that 37 percent thought the police response to the pandemic had been excellent and 43 percent good. Only 19 percent thought it had been fair, poor or very poor. To find out about the effect on its communities – page 41*

*Forces that already had good structures and processes were able to update and adapt their plans and risk assessments to take in the lessons learnt or notable practice. For example, **Leicestershire Police** was subject to the first, and then the longest, local lockdown in the UK. As a result, the force and the LRF engaged with several other organisations to review the effect of the first lockdown and exchanged ideas about lessons learnt. They worked with the University of Leeds to understand the impact on crime and contributed to a review conducted nationally on behalf of the government – page 60*

### *Conclusion*

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

**Rob Nixon**  
**T/Chief Constable**  
**Xxxxxx 2022**

**Paul Dawkins**  
**Chief Finance Officer**  
**Xxxxxx 2022**



## **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

Date 23/06/2022



Paul Gibson  
Deputy Chief Constable (East Midlands)

**INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR LEICESTERSHIRE**

**Opinion**



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*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 1<sup>st</sup> April covered by the accounts.

### **Formula spending share**

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

### **Impairment**

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

### **Investment property**

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

### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

### **Leasing**

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

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

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

### **Liquid resources**

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

### **Minimum revenue provision**

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

### **Net book value**

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

### **Non-current assets**

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

### **Non distributed costs**

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

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

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

### **Precept**

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

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

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

### **Receipts and payments**

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

### **Unusable reserves**

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

### **Usable reserves**

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