

POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL

PAPER MARKED

A

Report of	OFFICE OF POLICE & CRIME COMMISSIONER & OFFICE OF THE CHIEF CONSTABLE
Subject	DRAFT ACCOUNTS 2012/13
Date	WEDNESDAY 26 JUNE 2013 – 2.45 P.M.
Author :	CHIEF FINANCE OFFICER & FINANCE DIRECTOR

Purpose of Report

1. To provide the Joint Audit, Risk and Assurance Panel (JARAP) with an opportunity to comment upon the draft Accounts 2012/13, and particularly the annual governance statements (AGSs).

Recommendation

2. It is recommended that the JARAP reviews and comments upon the draft Accounts 2012/13 and the AGSs of the Office of the Police and Crime Commissioner (OPCC) and the Office of the Chief Constable (OCC).

Overview

3. Producing the annual accounts of any public sector organisation is challenging, given the increasing desire to make them compatible with each other and to conform to reporting standards that are normally used in the private sector.
4. Producing the 2012/13 Accounts for policing bodies has been even more complicated by the creation of two corporations sole (OPCC and OCC) during the year. This has required very careful planning in order to ensure that the approach to the, now, group accounts is acceptable to our auditors.
5. The OCC Finance Team, led by Ruth Gilbert and with particular credit to Andrew Dale, in conjunction with Robert Vickers in the OPCC have worked diligently and thoroughly to ensure that quality accounts and working papers are produced on time and ready for audit by 1 July.
6. There are still some minor issues being clarified, but this version is being released early to enable the JARAP to have an opportunity to read this substantial document prior to the meeting. Any changes required will be tabled at the meeting.

7. The AGSs of the OPCC and OCC will be of particular interest to the JARAP given that they set out the overall governance framework, illustrate where assurance can be drawn from and describe “significant governance issues”.
8. Members of the JARAP will be aware that the external auditors are delivering a short briefing session on the accounts in advance of the meeting to assist in developing members’ understanding.
9. Following audit and prior to publication, the Accounts 2012/13 will be formally presented to the JARAP on 24 September 2013, along with any audit findings or recommendations.

Implications

Financial :	None direct from this report.
Legal :	None direct from this report, but the completion of the Accounts 2012/13 complies with relevant regulations and statutes.
Equality Impact Assessment :	None as a result of this report.
Risks and Impact :	None directly from this report, but completing good quality accounts on time will assist in maintaining the reputation of the OCC and OPCC for sound financial management.
Link to Police and Crime Plan :	Sound finances underpin the delivery of the Police and Crime Plan.

List of Appendices

Appendix A – OPCC for Leicestershire: Annual Financial Report 2012/13
Appendix B – OCC for Leicestershire: Annual Financial Report 2012/13

Background Papers

Police & Crime Plan
Police & Crime Commissioner for Leicestershire – Corporate Governance Framework
Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code)
Police Reform and Social Responsibility Act 2011
Financial Management Code of Practice for the Police Service of England & Wales (Jan 2012)
Local Government Act 2003
Audit Commission Act 1998
Accounts and Audit (England) Regulations 2011
CIPFA Police LAAP Bulletin 95
CIPFA Police LAAP Bulletin 96

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**The Office of the
Police & Crime Commissioner
for Leicestershire**

Annual Financial Report

2012/13

Draft

	Page
Statement of Accounts	
<i>Core financial statements</i>	
• Comprehensive Income & Expenditure Statement (Group)	7
• Comprehensive Income & Expenditure Statement (OPCC)	8
• Balance Sheet (Group & OPCC)	9
• Statement of Movement in Reserves (Group & OPCC)	10
• Cash flow Statement (Group & OPCC)	12
Notes to the core financial statements	13
<i>Supplementary financial statements</i>	
• Pension fund account	78
• Joint arrangements	
• East Midlands Air Support Unit - EMASU	80
• East Midlands Special Operations Unit - EMSOU	86
• East Midlands Special Operations Unit (Major Crime) - EMSOU-MC	93
• East Midlands Technical Surveillance Unit – EMTSU	97
• East Midlands Collaborative Human Resources Services (Learning & Development Unit) – EMCHRS-LDU	104
• East Midlands Collaborative Human Resources Services (Occupational Health Unit) – EMCHRS-OHU	108
• East Midlands Legal Services Unit (EMLSU)	112
Non audited information documents	
Explanatory foreword by the Chief Finance Officer	1
Statement of responsibilities	6
Annual governance statement	116
Audit opinion	122
Glossary of terms	124

Explanatory foreword by the Chief Finance Officer

The accounts for 2012/13 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (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 the second to be 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.

There have not been any significant changes in accounting policies in 2012/13.

Overview

The financial year 2012/13 was an exceptional one. In November 2012 the first elections for a Police and Crime Commissioner took place in the policing area of Leicestershire, as they did elsewhere in England and Wales. This resulted in the election of Sir Clive Loader, who took up the post on 22nd November 2012.

Consequently these accounts represent a part year under the custodianship of the Police Authority, and a part year under the custodianship of the Commissioner. These accounts have been produced using merger accounting and presented as if the new entities had always existed. Further details concerning this change and how it affects the manner in which the statement of accounts is presented can be seen in the introduction to the *"Notes to the core financial statements"* section (see index). The reader of these accounts is encouraged to review this explanation to assist with a clearer understanding.

The Police Authority had set the budget for 2012/13 in February 2012, and the Commissioner inherited it in November 2012. With good financial planning, the Authority had put in place sufficient funds to support a programme of work to enable the successful transition of arrangements from the Authority to the Office of the Police and Crime Commissioner.

The Police Authority had also supported an increase in the council tax precept of 2.5% in order to provide an increase in the base level of resources available during that year and beyond. At that time, it was not expected that the single year council tax freeze grant, offered by the Department for Communities and Local Government, would again be offered in subsequent years.

With the prospect of reducing funding over subsequent years, the Authority, Police and Crime Commissioner and Force set about putting in place efficiency arrangements during the financial year. So, while the budget anticipated a withdrawal from the budget equalisation reserve of £3m, in the event at outturn this was not necessary. Through a range of deliberate actions and through some unpredictable trends in police officer turnover, an underspend of some £3.8m occurred. Some of this underspend is recurring, and therefore contributes towards future years' efficiency savings.

The 2012/13 underspend clearly leaves the budget equalisation reserve in a much more healthy state than had been anticipated at the beginning of the financial year. This is particularly important as the predictions of a growing medium term funding gap (£20m over the period to 2016/17) mean that it will be essential to have an adequate reserve to support the change programme. That programme is intended to deliver a reshaped Force that is fit for 2016/17 and beyond, so that it can deliver the objectives of the police and crime plan within the resources available. The reserve will be used prudently in order to support appropriate investment and the transition to a future state.

In addition to leaving the budget equalisation reserve in a more healthy state, the underspend has allowed a further £1m to be added to the commissioning fund for three years from 2013/14. This will enable the Commissioner to work with partners and other service providers to design interventions that will help to deliver objectives set out in the police and crime plan. In so doing it will also assist the Force to deliver its objectives within the limited resources anticipated to be available.

In conclusion, the financial arrangements of the Office of the Police and Crime Commissioner and the Office of the Chief Constable are in a sound position. There is a continued track record of managing spend within the resources available, a clear focus on a change programme to manage future austerity and an adequate level of reserves that will support the organisations through the change process. Discussions are continuing throughout the summer of 2013 to ensure that there is an appropriate balance between the change programme and its implications and the resources available in order to

Explanatory foreword by the Chief Finance Officer

deliver the priorities of the police and crime plan as identified to the Commissioner by the public and partners within Leicester, Leicestershire and Rutland.

Financing the Police Service

A net revenue budget of £169.6m was set for the year, after planning to draw £3m from reserves. The majority of the funding is provided by Government, with just 33% met via the Council Tax. The Authority levied a precept of £173.87 for a Band D property, an increase of 2.5% over the previous year.

Revenue spending

The OPCC underspent its revenue budget by £3.838m, or 2.27%. This was attributable to:

- an underspend on police pay and allowances of £2.3m due an increased number of leavers, funded posts and reimbursement of mutual aid income in respect of the 2012 London Olympics.
- an underspend on corporate budgets of £0.2m due a higher than anticipated number of ill health retirements, lower than budgeted expenditure on utilities and telecommunication and savings arising from decisions at the Change Board, offset by a range of investments in infrastructure and operational activities.
- a net underspend of £0.7m on delegated activities as a result of local management decisions to reduce overall expenditure.
- A reimbursement of £0.671m from the Home Office of unbudgeted costs in relation to a public order incident in February 2012

The OPCC has transferred the uncommitted revenue underspend of £3.838m to the Budget Equalisation Reserve as a further contribution to bridging the estimated medium term funding gap of £20m in 2016/17 and to fund future investments in the Change Programme.

Reserves

The Police Fund (General Reserve) has remained at £5.253m. The closing balance on the Budget Equalisation Reserve is £11.53m and the total earmarked reserves are £22.9m (including both a share of regional jointly controlled reserves as well as reserves held on behalf of partners).

Retirement Benefits

Accounting for Retirement Benefits in the 2012/13 Statement of Accounts has resulted in a pension liability of £1,577m compared to £1,338m in 2011/12.

The police officer pension scheme liability is £1,527m with the balance relating to the Local Government Pension Scheme (LGPS).

Actuarial losses seen on the police officer pension scheme(s) account for the most significant proportion of the movement. These losses are triggered by a change in financial assumptions by the actuaries who value the scheme(s). Some of the changes (i.e. reductions in the assumed rate of CPI inflation, salary increases and pension increases) have an overall positive effect on the value of future liabilities. However the decrease in the discount rate (which is used to convert future liabilities to "today's prices") coupled with an increase in assumed mortality rates (people living longer) have a more pronounced effect and thus lead to actuarial losses and a larger resultant liability.

The movement on the LGPS liability between 2011/12 and 2012/13 is mainly driven by a change in assumptions by the scheme's actuaries. This has seen an assumed rise in the rate that both pensions and salaries are expected to increase (increasing the liability) coupled with a reduction in the expected return on scheme assets. The discount rate fell marginally which also serves to increase losses. There was a gain identified on the investment assets of the scheme although this was lower than the losses seen on the liabilities.

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 healthy.

Capital spending

£6.75m was spent on improving the buildings stock, investing in information technology, operational equipment and the vehicle fleet. This was funded by a combination of grant, asset sales and revenue contributions. This capital spending resulted in non-current asset additions of £6.37m after £0.4m was charged to the Comprehensive Income & Expenditure Statement as “Revenue Expenditure Funded from Capital Under Statute” (REFCUS – see Note 16). No borrowing was taken during 2012/13. Outstanding external debt at the year end was £12.4m (excluding accruals for interest payable).

The capital projects undertaken included the finalisation of the Wigston and Hinckley Local Policing Units, commencement of the digitalisation of evidence IT project and investment in both the IT and telephone infrastructure

During 2012/13 properties at Bottesford and Ashby were disposed of as part of the Force’s overall estates strategy. These were replaced with neighbourhood offices, where appropriate. A further property at Kilby was also disposed of during 2012/13.

Outlook for 2013/14 and Beyond

As has been the case for several years, the funding regime for the public sector continues to be challenging. The police service has not been exempt from that challenge, which is set to continue.

Whilst the Comprehensive Spending Review 2010 (CSR 2010) has set the trajectory of funding for the period to 2014/15, detailed figures are not available beyond 2013/14. Furthermore, recent budget statements by the Chancellor indicate that further reductions in public spending are required beyond those envisaged in the CSR 2010.

Against this background, the OPCC approved the 2013/14 net revenue and capital budgets of £173.5m and £6m respectively. Formula grant reduced by 1.6% in 2013/14 and the Government’s commitment to freeze council tax continued. In order to encourage a council tax freeze it offered to compensate authorities who levied no increase an additional grant equivalent to a 1% precept increase in 2013/14. The PCC proposed to accept the grant and set a precept of £173.87 (same as 2012/13) for a Band D property which was supported by the Police and Crime Panel.

The Police and Crime Plan for 2013/14 to 2016/17 estimates a funding gap of some £20m by the end of that period should no action be undertaken to reduce spending. To proactively address this, the PCC set a priority in the Plan to “develop and produce a comprehensive suite of change options to create a force that is fit for 2016/17 within the funding available”.

With that in mind, the Chief Constable launched a change programme in 2012 with the stated objective of “*with our staff and partners, transform the way we protect our communities and deliver over £20m in (revenue) savings by 2016*”. The programme is due to present a series of outline business cases (OBCs) by the end of June 2013. The intention is that these OBCs will, together, begin to meet the priority set out in the Plan.

At the same time, consultation will be ongoing on the priorities set out in the Police and Crime Plan with the clear intention that the two work strands are aligned; i.e. that the Force will be able to deliver the priorities set out in the Plan within the resources available. Therefore, the next iteration of the Plan, to be delivered in the summer of 2013, will show how it is intended to balance the budget over the medium term through an organisation that is sustainable financially and in operational delivery.

Explanation of the financial report

The financial report comprises two elements:

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

Explanatory foreword by the Chief Finance Officer

The reader is encouraged to review the introduction to the "Notes to the core financial statements" section (see index) as that explains in greater detail the changes that have taken place since 2011/12 and how they affect the presentation of this financial report.

In order to gain a fuller picture of the financial performance of the public-facing police service for Leicestershire and Rutland, it is recommended that this statement of accounts is read in conjunction with the statement of accounts for the Office of the Chief Constable (OCC).

The Statement of Accounts

The purpose of the Statement of Accounts is to provide clear information to readers on how the OPCC/Group 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 2012/13. The report provides the accounting for the general fund and all other accounts for which the OPCC is responsible. The OPCC/Group's balance sheet provides details of the assets and liabilities as at 31st March 2013. 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:

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement (two are included, one for the OPCC and one for the Group)

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

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

Balance Sheet

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

- Usable reserves - those reserves that the OPCC/Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

Explanatory foreword by the Chief Finance Officer

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

Cash flow statement

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

Notes to the core financial statements

The notes provide support to the financial statements, inform the reader and give sufficient information to present a good understanding of the OPCC/Group's activities. An introduction to these notes provides further information concerning the changes to the organisation's structure and hence the presentation of these financial statements.

The supplementary financial statements:

Pension fund account

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

Non-audited supplementary documents

Explanatory foreword

The purpose of this foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the OPCC/Group's financial position.

Statement of responsibilities

The purpose is for the treasurer to sign a statement that the accounts present a true and fair view of the financial position of the OPCC/Group at the accounting date and its income and expenditure for that 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.

Peter Lewis
Chief Finance Officer
June XX 2013

The OPCC's responsibilities

The OPCC is required to:

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

OPCC's approval

The Statement of Accounts for the year to 31st March 2013 has been prepared and was approved at the meeting of the XXX on XXth September 2013.

The Chief Finance Officer's responsibilities

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

In preparing this Statement of Accounts the Chief Finance Officer, has:

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

The Chief Finance Officer has also:

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

Chief Finance Officer's certification

I certify that the Statement of Accounts presents a true and fair view of the financial position of the OPCC/Group at the reporting date and of its income and expenditure for the year ended 31st March 2013.

Peter Lewis
Chief Finance Officer
September XX 2013

Comprehensive Income & Expenditure Statement (Group)

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

2011/12				2012/13		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£000	£000	£000	Note	£000	£000	£000
94,076	(8,205)	85,871		94,886	(7,803)	87,083
13,351	(375)	12,976		13,044	(304)	12,740
14,783	(1,787)	12,996		14,021	(1,065)	12,956
6,700	(289)	6,411		6,321	(1,070)	5,251
16,095	(2,703)	13,392		14,532	(2,096)	12,436
12,981	(478)	12,503		12,390	(397)	11,993
32,931	(1,733)	31,198		36,511	(3,745)	32,766
5,292	(99)	5,193		5,114	(158)	4,956
6,630	(4,389)	2,241		5,836	(4,709)	1,127
816	-	816		1,143	-	1,143
-	-	-	32/33	12	-	12
139	-	139	32/33	17	-	17
203,794	(20,058)	183,736		203,827	(21,347)	182,480
143	-	143	2	-	(258)	(258)
68,597	(213)	68,384	4	68,295	(259)	68,036
-	(177,646)	(177,646)	5	-	(172,123)	(172,123)
272,534	(197,917)	74,617	6	272,122	(193,987)	78,135
		(748)				3,778
		12,845	32			176,784
		(14,257)	32			(15,939)
		(2,160)				164,623
		72,457				242,758

Comprehensive Income & Expenditure Statement (OPCC)

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

2011/12					2012/13		
Gross expenditure	Gross income	Net expenditure		Note	Gross expenditure	Gross income	Net expenditure
£000	£000	£000			£000	£000	£000
-	(8,205)	(8,205)	Local Policing		-	(7,803)	(7,817)
-	(375)	(375)	Dealing With The Public		-	(304)	(305)
-	(1,787)	(1,787)	Criminal Justice Arrangements		-	(1,065)	(1,066)
-	(289)	(289)	Road Policing		-	(1,070)	(1,071)
-	(2,703)	(2,703)	Specialist Operations		-	(2,096)	(2,098)
-	(478)	(478)	Intelligence		-	(397)	(395)
-	(1,733)	(1,733)	Investigations		-	(3,745)	(3,750)
-	(99)	(99)	Investigative Support		-	(158)	(158)
-	(4,389)	(4,389)	National Policing		-	(4,709)	(4,687)
743	-	743	Corporate & Democratic Core		1,055	-	1,055
-	-	-	Non distributed costs – past service costs		-	-	-
-	-	-	Non distributed costs - curtailments		-	-	-
203,051	-	203,051	Intra-group Transfer		202,772	-	202,772
203,794	(20,058)	183,736	Cost of services	2	203,827	(21,347)	182,480
143	-	143	Other operating expenditure	4	-	(258)	(258)
68,597	(213)	68,384	Financing and investment income & expenditure	5	68,295	(259)	68,036
-	(177,646)	(177,646)	Taxation & non-specific grant income	6	-	(172,123)	(172,123)
272,534	(197,917)	74,617	(Surplus) or deficit on provision of services		272,122	(193,987)	78,135
		(748)	(Surplus) / deficit on revaluation of non-current assets				3,778
		12,845	Actuarial (gains) / losses on pension assets/liabilities	32			176,784
		(14,257)	Grant received from the Home Office in respect of the pension fund account	32			(15,939)
		(2,160)	Other comprehensive income & expenditure				164,623
		72,457	Total comprehensive income & expenditure				242,758

Balance Sheet (Group & OPCC)

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

31 st March 2012 £000		Note	31 st March 2013 £000
	Non-current assets		
1,612	Intangible assets	14	1,460
59,030	Property, plant & equipment	15	57,492
302	Investment property	17	240
60,944			59,192
	Non-operational non-current assets		
719	Assets under construction	19	390
61,663			59,582
104	Long term debtors	21	268
61,767	Total long term assets		59,850
	Current assets		
239	Inventories	20	335
15,301	Short term debtors	21	12,326
1,326	Assets held for sale	18	389
1,537	Payments in advance		1,568
10	Short term investments	22	510
20,409	Cash & cash equivalents	22	23,250
38,822			38,378
	Current liabilities		
(10,744)	Short term creditors	24	(10,942)
(905)	Receipts in advance		(866)
(131)	Short term borrowing	26	(131)
(394)	Provisions	27	(334)
(1,824)	Accumulated absences	39	(3,244)
(13,998)			(15,517)
24,824	Net current assets		22,861
	Long term liabilities		
(12,399)	Long term borrowing	25	(12,399)
(3,113)	Deferred liabilities	23	(2,674)
(161)	Capital grants receipts in advance	12	(124)
-	Receipts in Advance		(12)
(1,338,096)	Liability related to defined benefit pension schemes	32	(1,577,438)
(1,353,769)			(1,592,647)
(1,267,178)	Net assets / (liabilities)		(1,509,936)
	Reserves		
28,497	Usable reserves	28	28,182
(1,295,675)	Unusable reserves	29	(1,538,118)
(1,267,178)	Total reserves		(1,509,936)

Re-certification

The unaudited accounts were issued on **XX June 2013** and the audited accounts were authorised for issue on **XX September 2013**.

Statement of Movement in Reserves (Group & OPCC)

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

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

	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
2012/13							
Note	31	30	34	35	28	29	
	£000	£000	£000	£000	£000	£000	£000
Balance as at 31st March 2012	5,253	23,238	-	6	28,497	(1,295,675)	(1,267,178)
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	(78,135)	-	-	-	(78,135)	-	-
Other comprehensive income & expenditure	(164,623)	-	-	-	(164,623)	-	-
Total comprehensive income & expenditure	(242,758)	-	-	-	(242,758)	-	(242,758)
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	242,445	-	-	(2)	242,443	(242,443)	-
Net increase/(decrease) before transfers to/(from) earmarked reserves	(313)	-	-	(2)	(315)	(242,443)	(242,758)
Transfers (to)/from earmarked reserves (note 30)	313	(313)	-	-	-	-	-
Increase/(decrease) in 2012/13	-	(313)	-	(2)	(315)	(242,443)	(242,758)
Balance as at 31st March 2013	5,253	22,925	-	4	28,182	(1,538,118)	(1,509,936)

Core financial statements

2011/12	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
<i>Note</i>	31 £000	30 £000	34 £000	35 £000	28 £000	29 £000	£000
Balance as at 31st March 2011	5,253	18,513	-	8	23,774	(1,218,495)	(1,194,721)
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	(74,617)	-	-	-	(74,617)	-	(74,617)
Other comprehensive income & expenditure	2,160	-	-	-	2,160	-	2,160
Total comprehensive income & expenditure	(72,457)	-	-	-	(72,457)	-	(72,457)
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	77,182	-	-	(2)	77,180	(77,180)	-
Net increase/(decrease) before transfers to/from earmarked reserves	4,725	-	-	(2)	4,723	(77,180)	(72,457)
Transfers (to)/from earmarked reserves (note 30)	(4,725)	4,725	-	-	-	-	-
Increase/(decrease) in 2011/12	-	4,725	-	(2)	4,723	(77,180)	(72,457)
Balance as at 31st March 2012	5,253	23,238	-	6	28,497	(1,295,675)	(1,267,178)

Cash Flow Statement (Group & OPCC)

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

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

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

2011/12 £000		Note	2012/13 £000
74,617	Net (surplus) or deficit on the provision of services		78,135
(77,758)	Adjustments to <i>net (surplus) or deficit on the provision of services</i> for non-cash movements	40.1	(88,738)
2,643	Adjustments for items included in the <i>net (surplus) or deficit on the provision of services</i> that are investing and financing activities	40.2	3,036
(498)	Net cash flows from operating activities	40.3	(7,567)
2,074	Investing activities	41	4,287
495	Financing activities	42	439
2,071	Net (increase) or decrease in cash and cash equivalents		(2,841)
22,480	Cash and cash equivalents at the beginning of the reporting period		20,409
20,409	Cash and cash equivalents at the end of the reporting period	22	23,250

Accounting changes caused by the Police Reform and Social Responsibility Act 2011

Two new bodies (“Corporations Sole”), the Police and Crime Commissioner for Leicestershire and the Chief Constable for Leicestershire, came into existence on 22nd November 2012 following the enactment of the Police Reform and Social Responsibility Act 2011.

The Police and Crime Commissioner is responsible for securing an efficient and effective police force whilst the Chief Constable is responsible for maintaining the Queen’s Peace and has operational direction and control over the force’s officers and staff.

The Financial Management Code of Practice for the Police Service of England & Wales (Jan 2012) clearly sets out that this change creates a Group structure and the expectation that Group Accounts will be required (para 7.1). The group is referred to as the “Office of the Police and Crime Commissioner for Leicestershire Group” (OPCC Group) and the two bodies within that group as “Office of the Police & Crime Commissioner for Leicestershire” (OPCC) and “Office of the Chief Constable for Leicestershire” (OCC) respectively.

The group and its individual bodies continue to be bound by the requirements of existing legislation/regulations related to its accounting and audit obligations – i.e. the Local Government Act 2003, the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011. Accounts for the group therefore need to be produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (“the Code”) and subject to audit.

In preparing the financial statements for 2012/13, the structural change falls outside of the definition of business combinations covered by the Code by virtue of the fact that the substance of the change is a transfer of the responsibilities of the outgoing Police Authority from one public sector body to another. The Code explains that merger accounting should be applied. In applying this group accounting approach, the Group has applied FRS 6 (Acquisition and Mergers) in preparing the financial statements as if the new structure had always been in existence. The Group (and its constituent bodies) have therefore provided full comparative figures for 2011/12.

The way in which the Group operates both in consolidation and as individual bodies is described and controlled by the locally agreed Corporate Governance Framework. The Framework sets out the overriding principle of the PCC having ownership of the assets and liabilities whilst being the contracting body that is legally responsible for all income and expenditure. However in referring directly to both the Chief Constable’s operational independence and “direction and control” of the Force it recognises that the Chief will have to consume resources in order to deliver the aims of the Policing Plan.

The substance of this arrangement has been reflected within these financial statements by applying several key principles:

- The Group, the OPCC and the OCC share and comply with a single set of accounting policies. These accounting policies are shown in full within both sets of financial statements
- All assets and liabilities (including reserves) were transferred on 22nd November 2012 and are the property or responsibility of the OPCC and therefore one combined Balance Sheet is presented to cover both the OPCC and Group
- The OPCC holds all cash for the Group and makes/receives all cash transactions on behalf of the Group therefore one combined Cashflow Statement is presented to cover both the OPCC and the Group. No cash transfers take place between the OPCC and the OCC
- All income is received by the OPCC on behalf of the Group
- Charges are made from the OPCC to the OCC in respect of the costs of those assets and resources which are utilised by the OCC in delivering the Policing Plan. These charges are equal to the “Cost of Services” on the Comprehensive Income and Expenditure Statement for the Group, excluding those elements of “Corporate and Democratic Core” which are considered to remain with the OPCC
- The charges made to the OCC include statutory accounting adjustments that are legitimately included within “Cost of Services” (i.e. Depreciation and Amortisation of non-current assets, Pension actuarial valuation adjustments and the accrual of costs related to Accumulated Absences). This inclusion is considered to best reflect the true cost of using the OPCC’s resources and hence the overall cost of delivering the Policing Plan

Notes to the core financial statements

- The charges made from the OPCC to the OCC are eliminated on consolidation into the Group Comprehensive Income and Expenditure Statement by way of an Intra-Group Transfer. This transfer and the charges that it eliminates in no way impairs or affects the overall financial position of the outwardly facing Group from the local tax-payers' perspective
- The OPCC/Group statements will feature two Comprehensive Income & Expenditure Statements, one for the OPCC which demonstrates the recharge of costs to the OCC and one for the Group which shows the consolidated position including the OCC
- The OCC's accounts will feature all four primary statements although all but the Comprehensive Income & Expenditure Statement will show a zero closing position
- The Chief Constable administers the Pension Fund Account and this memorandum account therefore appears in both the OCC's statements and the Group accounts

The following table demonstrates the movement through an intra-group account within the Balance Sheets of the Group and its constituent bodies during 2012/13. This transfer reflects the cost of resources consumed by the Chief Constable in delivering the policing plan as set by the Police & Crime Commissioner. From the table below it can be seen that there are no outstanding intra-group balances on the respective Balance Sheets at year-end. The figures for 2011/12 are provided for comparative purposes.

2011/12			Intra-Group Movements	2012/13		
OPCC	OCC	Group		OPCC	OCC	Group
£000	£000	£000		£000	£000	£000
-	-	-	Opening balance at 1st April	-	-	-
(203,051)	203,051	-	OPCC's resources consumed by the OCC	(202,772)	202,772	-
203,051	(203,051)	-	OPCC intra-group adjustment	202,772	(202,772)	-
-	-	-	Closing balance at 31st March	-	-	-

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

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

Notes to the core financial statements

2012/13	Usable reserves				Total usable reserves	Movement in unusable reserves
	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied		
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items charged to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non-current assets	4,034	-	-	-	4,034	(4,034)
Revaluation (gains) / losses on property, plant and equipment	2,948	-	-	-	2,948	(2,948)
Revaluation of current assets (assets held for sale)	-	-	-	-	-	-
Movements in the market value of investment property	62	-	-	-	62	(62)
Amortisation of intangible assets	1,088	-	-	-	1,088	(1,088)
Capital grants & contributions applied	(2,479)	-	-	-	(2,479)	2,479
Revenue expenditure funded from capital under statute	382	-	-	-	382	(382)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	422	-	-	-	422	(422)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	(1,293)	-	-	-	(1,293)	1,293
Capital expenditure charged against the general fund	(3,709)	-	-	-	(3,709)	3,709
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	265,540	-	-	-	265,540	(265,540)
Employer's pensions contributions and direct payments to pensioners payable in the year	(26,198)	-	-	-	(26,198)	26,198
Adjustments primarily involving the Collection Fund Adjustment Account						
Difference between council tax receipts on an accruals basis and on a cash received basis	(45)	-	-	-	(45)	45
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	(2)	(2)	2
Adjustments primarily involving the Revaluation Reserve						
Revaluation of non-current assets where residual gain/loss exists on the Revaluation Reserve	830	-	-	-	830	(830)
Transfer to Capital Adjustment Account in respect of depreciation on revalued non-current assets	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(557)	-	557	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(557)	-	(557)	557
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,420	-	-	-	1,420	(1,420)
Total adjustments	242,445	-	-	(2)	242,443	(242,443)

Notes to the core financial statements

2011/12	Usable reserves				Total usable reserves	Movement in unusable reserves
	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied		
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items charged to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non-current assets	4,251	-	-	-	4,251	(4,251)
Revaluation (gains) / losses on property, plant and equipment	163	-	-	-	163	(163)
Revaluation of current assets (assets held for sale)	382	-	-	-	382	(382)
Movements in the market value of investment property	(20)	-	-	-	(20)	20
Amortisation of intangible assets	836	-	-	-	836	(836)
Capital grants & contributions applied	(1,691)	-	-	-	(1,691)	1,691
Revenue expenditure funded from capital under statute	258	-	-	-	258	(258)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	817	-	-	-	817	(817)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	(1,437)	-	-	-	(1,437)	1,437
Capital expenditure charged against the general fund	(2,227)	-	-	-	(2,227)	2,227
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	105,389	-	-	-	105,389	(105,389)
Employer's pensions contributions and direct payments to pensioners payable in the year	(26,817)	-	-	-	(26,817)	26,817
Adjustments primarily involving the Collection Fund Adjustment Account						
Difference between council tax receipts on an accruals basis and on a cash received basis	(5)	-	-	-	(5)	5
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	(2)	(2)	2
Adjustments primarily involving the Revaluation Reserve						
Revaluation of non-current assets where residual gain/loss exists on the Revaluation Reserve	(910)	-	-	-	(910)	910
Transfer to Capital Adjustment Account in respect of depreciation on revalued non-current assets	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(952)	-	952	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(952)	-	(952)	952
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(855)	-	-	-	(855)	855
Total adjustments	77,182	-	-	(2)	77,180	(77,180)

2. Subjective analysis (Group)

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

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

2011/12 Outturn £000		Note	2012/13 Outturn £000
114,022	Police officer pay and allowances		112,043
41,459	Police staff pay and allowances		43,798
3,592	Police pensions		2,836
12,086	IAS 19 Current Cost Adjustment (pensions)	33	11,047
1,240	Other employees expenses		1,067
5,633	Premises		5,584
3,541	Transport		3,469
12,159	Supplies and services		12,957
3,836	Agency and contracted services		4,371
742	The Office of the Police and Crime Commissioner		1,122
258	Revenue expenditure financed from capital resources (REFCUS)	16/37	382
5,087	Depreciation & amortisation charges	14/15	5,122
139	Non-distributed costs regarding pensions	33	29
203,794	Gross operating expenditure		203,827
(9,616)	Income from government grants	12	(10,110)
(7,896)	Income from fees and charges		(7,830)
(2,546)	Contributions from other local authorities		(3,407)
183,736	Cost of services		182,480
143	Other operating expenditure	4	(258)
68,384	Financing and investment income & expenditure	5	68,036
(177,646)	Taxation & non-specific grant income	6	(172,123)
74,617	(Surplus) or deficit on provision of services		78,135
(748)	(Surplus) / deficit on revaluation of non-current assets	36/37	3,778
12,845	Actuarial (gains) / losses on pension assets/liabilities	33	176,784
(14,257)	Grant received from the Home Office in respect of the pension fund account	32	(15,939)
(2,160)	Other comprehensive income & expenditure		164,623
72,457	Total comprehensive income & expenditure		242,758

3. **Amounts reported for resource allocation decisions (Group & OPCC)**

The financial performance of the Group is communicated in a different format to the chief operating decision makers (the PCC and Chief Constable) to that shown in these financial statements.

Performance is analysed internally by BCU (Basic Command Unit) and department and some budgets (for example police pay & allowances) are not devolved to those cost-centres.

The Group does not report its financial performance internally on a subjective basis to the chief operating decision makers, rather it is reported on the basis of net expenditure against budget.

No charges are made to budgets in respect of capital accounting (i.e. depreciation, revaluations, impairment losses and amortisation) although capital expenditure is charged to revenue in the form of a *revenue contribution to capital*.

The cost of retirement benefits is based on cash flows in the year (i.e. payment of employer's contributions) rather than the current service cost approach advocated by IAS 19.

On the following pages is a reproduction of the Group's outturn reports for 2011/12 and 2012/13 together with a reconciliation of the net expenditure figure to the total comprehensive income & expenditure figure shown at the foot of the Comprehensive Income & Expenditure Statement.

It should be noted that financial performance is not reported separately for the activities of the OCC and the OPCC – rather the costs of the OPCC are shown as a separate line ("The Office of the PCC" on the following reports) on the Group report.

A table is provided at the end of this note which shows how the intra-group transfer between the OPCC and the OCC can be calculated from the revenue outturn. No income is transferred to the OCC by the OPCC and hence an adjustment is shown for those amounts.

Notes to the core financial statements

Revenue Outturn 2012/13

	a	b	c	d	e	f	g
	Revised Budget	Provisional Outturn	Year-End Commitments / Purchase Orders	Submitted Business Cases	Balance	February Forecast	Movement
	£000	£000	£000	£000	(b+c+d-a)	£000	(e-f)
					£000		£000
DELEGATED BUDGETS							
Basic Command Units							
Counties	3,084	3,076	8	-	-	-	-
City	2,554	2,537	6	-	(11)	-	(11)
Sub Total	5,638	5,613	14	-	(11)	-	(11)
Delivering Justice Directorate							
Delivering Justice Command	757	903	44	-	190	195	(5)
Criminal Justice	6,101	5,831	10	-	(260)	(274)	14
Safeguarding	2,883	2,873	-	-	(10)	(33)	23
St Bernard's, Juniper Lodge	67	67	-	-	-	-	-
MAPPAs	34	34	-	-	-	-	-
Forensic Services	3,991	3,829	72	-	(90)	(183)	93
Regional MIT (Leicestershire)	750	742	-	-	(8)	31	(39)
Sub Total	14,583	14,279	126	-	(178)	(264)	86
Tasking Directorate							
Contact Management Centre	7,323	7,178	54	-	(91)	(19)	(72)
Operations	2,655	2,536	119	-	-	(30)	30
Specials	187	205	-	-	18	9	9
Force Intelligence Bureau	3,328	3,245	81	-	(2)	-	(2)
Sub Total	13,493	13,164	254	-	(75)	(40)	(35)
Corporate Services Directorate							
Corporate Development	2,224	2,114	107	-	(3)	(11)	8
Professional Standards	928	809	31	-	(88)	(90)	2
Sub Total	3,152	2,923	138	-	(91)	(101)	10
Departments							
Human Resources	1,780	1,764	4	-	(12)	(7)	(5)
Learning & Development	1,755	1,632	123	-	-	(14)	14
Information Technology	5,231	5,052	50	-	(129)	(112)	(17)
Procurement & Support Services	1,934	1,846	29	-	(59)	(34)	(25)
Estates	1,662	1,662	-	-	-	-	-
Finance	998	969	26	-	(3)	-	(3)
Transport Unit	1,058	1,081	-	-	23	-	23
Sub Total	14,418	14,006	232	-	(180)	(167)	(13)
Regional Collaboration							
EMSOU (Leicestershire Cash Contribution)	2,016	1,946	-	-	(70)	(156)	86
Regional Collaboration Command Team	264	257	-	-	(7)	-	(7)
Regional Special Branch	(1,244)	(1,298)	-	-	(54)	-	(54)
Regional Special Branch (Leicestershire)	261	261	-	-	-	8	(8)
Regional TSU (Cash Contribution)	531	473	-	-	(58)	(40)	(18)
Regional MIT (Regional SMT)	340	305	-	-	(35)	(33)	(2)
Regional Occupational Health (Cash Contribution)	423	397	-	-	(26)	(28)	2
Regional HR Transactional Services	-	-	-	-	-	-	-
Regional Learning & Development (Cash Contribution)	802	661	-	-	(141)	(128)	(13)
Contribution to Regional Collaboration Fund	-	225	-	-	225	286	(61)
Sub Total	3,393	3,227	-	-	(166)	(91)	(75)
The Office of the PCC	840	840	-	-	-	-	-
TOTAL DELEGATED	55,517	54,052	764	-	(701)	(663)	(38)
CORPORATE BUDGETS							
Central Items (Inflation, Financing etc.)	4,656	3,890	626	-	(140)	27	(167)
Non Main-Stream and BCU Funding	1,539	1,493	12	25	(9)	(10)	1
POCA	-	-	-	-	-	-	-
Police Community Support Officers	-	-	-	-	-	-	-
Police Pensions	2,632	2,844	-	-	212	205	7
Road Safety Unit	-	-	-	-	-	-	-
Vehicle Recovery Scheme	(18)	(26)	-	-	(8)	(13)	5
Police Pay, Allowances & Seconded Officers Income	105,068	102,842	-	-	(2,226)	(2,279)	53
ECU Forfeiture	-	-	-	-	-	-	-
Transfer to Earmarked Reserves	-	-	-	-	-	-	-
TOTAL CORPORATE	113,877	111,043	638	25	(2,171)	(2,070)	(101)
SUB TOTAL (excluding C/Fwds)	169,394	165,095	1,402	25	(2,872)	(2,733)	(139)
2011/12 Area & Dept C/Fwds	-	(346)	50	28	(268)	(287)	19
Operational Contingency Budgets	206	-	-	-	(206)	(400)	194
Revenue Contribution to Capital Expenditure (DJD - CCTV)	-	179	-	-	179	264	(85)
Home Office Public Order Grant	-	(671)	-	-	(671)	(671)	-
Grand Total (including C/Fwds)	169,600	164,257	1,452	53	(3,838)	(3,827)	(11)

Notes to the core financial statements

Revenue Outturn 2011/12

	a Revised Budget	b Provisional Outturn	c Year-End Commitments	d Balance (b+c-a)	February Forecast
	£000	£000	£000	£000	£000
DELEGATED BUDGETS					
Basic Command Units					
Counties	3,084	2,959	64	(61)	(86)
City	2,500	2,490	10	-	(2)
Sub Total	5,584	5,449	74	(61)	(88)
Delivering Justice Directorate					
Delivering Justice Command	692	627	36	(29)	(13)
Criminal Justice	5,737	5,449	30	(258)	(220)
Safeguarding	1,643	1,557	-	(86)	(47)
Investigations	767	643	-	(124)	(166)
St Bernard's, Juniper Lodge	60	60	-	-	-
MAPPA	56	56	-	-	-
Forensic Services	4,758	3,675	123	(960)	(962)
Sub Total	13,713	12,067	189	(1,457)	(1,408)
Tasking Directorate					
Tasking Directorate Command	478	490	-	12	37
Contact Management Centre	6,973	6,883	65	(25)	(161)
Operations	2,466	2,199	156	(111)	(152)
Specials	187	185	4	2	-
Force Intelligence Bureau	3,155	2,990	96	(69)	(96)
Sub Total	13,259	12,747	321	(191)	(372)
Corporate Services Directorate					
Corporate Development	1,969	1,781	102	(86)	(87)
Professional Standards	1,113	1,130	40	57	11
Sub Total	3,082	2,911	142	(29)	(76)
Departments					
Human Resources	2,279	2,077	57	(145)	(199)
Learning & Development	1,987	1,722	70	(195)	(252)
Information Technology	5,512	5,006	163	(343)	(390)
Procurement & Support Services	1,996	1,940	56	-	-
Estates	1,744	1,673	71	-	-
Finance	971	942	29	-	-
Transport Unit	1,117	1,106	11	-	29
Sub Total	15,606	14,466	457	(683)	(812)
Regional Collaboration					
Regional Special Branch	579	592	-	13	22
Regional TSU	161	271	-	110	138
Regional Major Crime	1,249	1,216	-	(33)	(24)
Regional Serious and Organised Crime	171	194	-	23	22
Sub Total	2,160	2,273	-	113	158
Police Authority	779	728	15	(36)	-
TOTAL DELEGATED	54,183	50,641	1,198	(2,344)	(2,598)
CORPORATE BUDGETS					
Central Items (Inflation, Financing etc.)	7,744	6,627	484	(633)	(13)
Seconded Officers	(1,223)	(1,396)	-	(173)	(126)
Non Main-Stream and BCU Funding	1,979	1,884	95	-	-
POCA	21	21	-	-	-
Police Community Support Officers	-	-	-	-	-
Police Pensions	2,546	3,592	-	1,046	763
Road Safety Unit	-	-	-	-	-
Vehicle Recovery Scheme	(44)	(32)	-	12	25
Police Pay & Allowances	110,744	108,660	6	(2,078)	(2,183)
ECU Forfeiture	-	-	-	-	-
Transfer to Earmarked Reserves	-	2,000	-	2,000	2,000
TOTAL CORPORATE	121,767	121,356	585	174	466
SUB TOTAL (excluding C/Fwds)	175,950	171,997	1,783	(2,170)	(2,132)
2010/11 Area & Dept C/Fwds & Growth	-	(488)	223	(265)	(214)
Revenue Contribution to Future Capital Expenditure	-	-	-	-	-
Transfer to Public Order Reserve	-	-	-	-	-
Grand Total (including C/Fwds)	175,950	171,509	2,006	(2,435)	(2,346)

Reconciliation between segmental reporting & the Comprehensive Income & Expenditure Statement (Group & OPCC)

2011/12 £000		Note	2012/13 £000
171,509	Net expenditure per outturn report		164,257
2,006	Carry-forward requests		1,452
-	Business cases		53
173,515	Net expenditure before transfer to budget equalisation reserve		165,762
2,435	Transfer to budget equalisation reserve		3,838
175,950	Net expenditure for year (management accounts)		169,600
(54,191)	Council tax income (cash basis)	40.3	(55,911)
(73,782)	Police grant	6	(67,317)
(11,328)	Revenue support grant	6	(882)
(36,649)	Non-domestic rates	6	(45,490)
-	Movement on general fund balance (management accounts)		-
(4,725)	Reverse effect of transfer (to)/from earmarked reserves	30	313
77,182	Adjustments between accounting basis & funding basis under regulations	1	242,445
72,457	Total comprehensive income & expenditure (Group & OPCC)		242,758

Reconciliation between segmental reporting & the intra-group transfer between the OPCC and OCC

2011/12 £000		Note	2012/13 £000
171,509	Net expenditure per outturn report		164,257
(3,774)	Remove items not charged to "Cost of Services" on the Comprehensive Income & Expenditure Statement		887
(728)	Remove revenue outturn for the OPCC		(840)
18,618	Remove income recognised only by the OPCC		18,854
12,225	Add "Current Cost" and "Non-Distributed Costs" charged to the Comprehensive Income & Expenditure Account in Cost of Services	33	11,076
258	Add revenue expenditure funded from capital under statute (REFCUS)	1	382
5,087	Add charges for depreciation and amortisation of non-current assets	1	5,122
(855)	Add movement in accrual for accumulated absences	1	1,420
711	Add share of Regional Collaboration and Jointly Controlled Operations transactions		1,614
203,051	Intra-group transfer between OPCC and OCC in respect of resources consumed		202,772

4. Other operating expenditure (Group & OPCC)

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

2011/12 Outturn £000		Note	2012/13 Outturn £000
(239)	(Gains)/losses on the disposal of non-current assets	1/14 15/37	(258)
382	(Gains)/losses on the revaluation of assets held for sale	18/37	-
143			(258)

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

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

2011/12 Outturn £000		Note	2012/13 Outturn £000
834	Interest payable and similar charges		812
67,759	Pensions interest cost and expected return on pensions assets	33	67,421
(148)	Interest receivable and similar income		(248)
(41)	Income and expenditure in relation to investment properties	17	(11)
(20)	Changes in the market value of investment properties	17/37	62
68,384			68,036

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

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

2011/12 Outturn £000		Note	2012/13 Outturn £000
(54,196)	Council tax income	9	(55,955)
(73,782)	Police grant	40.3	(67,317)
(11,328)	Revenue support grant	40.3	(882)
(36,649)	Non-domestic rates	40.3	(45,490)
(1,691)	Capital grants and contributions	16	(2,479)
(177,646)			(172,123)

Council tax income is presented on an accruals basis whilst police grant, revenue support grant and non-domestic rates are presented on a cash basis – the full amount having been received in the year. Further explanation regarding the accounting treatment for council tax can be seen in accounting policy A5.

A breakdown of the amounts received from each billing authority can be seen in note 9 – Related parties (on an accruals basis).

7. Officers' remuneration (Group & OPCC)

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

2012/13	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Compensation for loss of office	Pension contributions	Total
		£	£	£	£		£	£
				note 6	note 7			
Constabulary								
Chief Constable	1	139,119	4,986	4,540	528	-	33,667	182,840
Deputy Chief Constable (commenced 7 May 2012)	2	103,356	3,493	4,060	112	-	25,012	136,033
Assistant Chief Constable								
Senior Police Officer A (Deceased 19 Oct 2012)	3	100,752	4,610	1,146	308	-	14,516	121,332
Senior Police Officer D		99,044	4,075	3,929	528	-	23,969	131,545
Senior Police Officer G (ceased 23 Jan 2013)	4	73,410	3,800	3,179	101	-	17,765	98,255
Senior Police Officer H (from 7 Jan 2013)	4	21,926	878	697	57	-	5,306	28,864
Finance Director		89,955	-	-	5,389	-	13,673	109,017
Director of Human Resources		89,955	-	-	5,402	-	13,673	109,030
Police Authority/Office of the PCC								
Chief Executive/Treasurer (combined role until 26 th Sept 2012)	5	90,000	-	-	723	-	-	90,723
Chief Financial Officer (from 27 th Sept 2012)		69,796	-	-	-	-	-	69,796
		877,313	21,842	17,551	13,148	-	147,581	1,077,435

Note 1 – The annualised salary of the Chief Constable for Leicestershire is **£139,119** (01/09/2010).

Note 2 – The Deputy Chief Constable commenced on the 7th May 2012 on an annualised salary of **£114,771** (01/09/2010).

Note 3 – The salary of Senior Police Officer A includes £41k relating to accrued annual leave during the period 2010 to 2013.

Note 4 – Senior Police Officer H (annualised salary **£90,726**) replaced Senior Officer G on the 07/01/13 on temporary promotion. Senior Officer G reverted to their substantive rank of Chief Superintendent

Note 5 - The role of Chief Executive/Treasurer to the Police Authority was a combined role until 26/09/12. An interim Chief Financial Officer commenced on the 27/09/2012 and is not directly employed by the OPCC. The annualised salary for the Chief Executive is £90,000.

Note 6 – 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 7 - Expense allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

Note 8 – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

2011/12	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Compensation for loss of office	Pension contributions	Total
		£	£	£	£		£	£
					Note 8	Note 9		
Constabulary								
Chief Constable	1	139,119	4,351	18,293	528	-	33,667	195,958
Deputy Chief Constable (left 19 March 2012)	2	111,069	6,646	7,893	120	-	26,878	152,606
Assistant Chief Constable								
Senior Police Officer A		102,323	8,008	1,965	527	-	24,762	137,585
Senior Police Officer D		96,023	3,972	16,989	527	-	23,238	140,749
Senior Police Officer E (left 12 April 2011)	3	3,024	-	3,896	134	-	732	7,786
Senior Police Officer F (from 13/04/11 to 30/09/11)	4	42,339	-	1,437	1,687	-	10,246	55,709
Senior Police Officer G (from 01/11/11)	4	37,802	-	1,637	1,505	-	9,148	50,092
Finance Director		89,955	-	-	5,360	-	13,043	108,358
Director of Human Resources		89,955	-	-	5,390	-	13,043	108,388
Office of the PCC								
Chief Executive/Treasurer		90,000	-	-	-	-	-	90,000
		801,609	22,977	52,110	15,778	-	154,757	1,047,231
Chief Executive (left 08/10/2010)	6	39,592	-	-	-	61,514	6,129	107,235
Chief Executive / Treasurer (From 01/01/2011)	7	20,000	-	-	-	-	-	20,000
		692,722	59,155	18,981	16,703	61,514	135,272	984,347

Note 1 – The annualised salary of the Chief Constable for Leicestershire is **£139,119** (01/09/2010).

Note 2 – The Deputy Chief Constable left on the 19th March 2012 on an annualised salary of **£114,771** (01/09/2010).

Note 3 – Temporary senior police officer E retired on the 12th April 2011, his annualised salary was **£93,753**, and was replaced by Senior Police Officer F on temporary promotion.

Note 4 – Senior Police Officer G (annualised salary **£90,726**) replaced Senior Officer F on the 01/11/11 on temporary promotion. Senior Officer F reverted to their substantive rank of Chief Superintendent

Note 5 – 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). Payments were also made to the Chief Constable and Senior Officer D to compensate them for the tax paid on their relocation allowances received in the previous year in accordance with the Police Authority's policy on Chief Officer relocation.

Note 6 - Expense allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

Note 7 – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

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	2011/12 number of employees	2012/13 number of employees
50,000 to 54,999	6	5
55,000 to 59,999	5	5
60,000 to 64,999	4	6
65,000 to 69,999	2	3
70,000 to 74,999	1	2
75,000 to 79,999	-	-
80,000 to 84,999	3	1
85,000 to 89,999	1	1
90,000 to 94,999	2	1
95,000 to 99,999	-	1
155,000 to 160,000	-	1

- the bandings only include the remuneration of employees and relevant police officers who have not been disclosed individually
- Two of the officers included in the figures above have been seconded to other organisations for the duration of 2012/13, their employment costs have been fully reimbursed.
- Leicestershire OPCC is the lead employer for the following regional teams; East Midlands Special Operations Unit, East Midlands Collaborative Human Resources Service (EMCHRS) Learning & Development and Occupational Health and the Regional Collaboration Team, six 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.
- Leicestershire OPCC is the lead employer for the Air Support Consortium, two of the police staff employees above are pilots within the unit.

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 £	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	17	3	1	4	18	7	£147,332	£67,380
£20,001 - £40,000	1	-	-	-	1	-	£32,337	
£40,001 - £60,000	-	-	-	-	-	-	-	
£60,001 - £80,000	1	-	-	-	1	-	£62,425	
£80,001 - £100,000	-	1	-	-	-	1	-	£89,292
total	19	4	1	4	20	8	£242,094	£156,672

Note – Leicestershire OPCC is the lead employer for the following regional teams. East Midlands Special Operations Unit, East Midlands Collaborative Human Resources Services (EMCHRS), Learning & Development and Occupational Health and the Regional Collaboration Team. Four of the police staff employees included in the table above worked in the regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.

8. **Members' allowances (Group & OPCC)**

The total amount of members allowances and expenses paid during 2012/13 was £144k (2011/12 £208k). These payments were due up to 22nd November 2012 when the Police Authority was replaced with the newly formed Police & Crime Commissioner corporation sole. Four members were paid allowances and expenses beyond this date as they sat on the new Joint Audit, Risk and Assurance Panel on an interim basis to assist with the transition.

9. **Related parties (Group & OPCC)**

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

Central government has effective control over the general operations of the OPCC/Group. It is responsible for providing the statutory framework within which the OPCC/Group operates, and provides the majority of funding in the form of general or specific grants. Details of government grants are set out in a note to the Cash Flow Statement.

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

The OPCC/Group participates in seven jointly controlled operations with other neighbouring police forces. Please see note 52 - accounting policy A23 for further details.

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

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

2011/12 £000	amounts are shown on an accruals basis	2012/13 £000
(5,385)	Blaby District Council	(5,590)
(9,280)	Charnwood Borough Council	(9,568)
(5,593)	Harborough District Council	(5,789)
(6,349)	Hinckley & Bosworth Borough Council	(6,558)
(13,524)	Leicester City Council	(13,991)
(3,179)	Melton Borough Council	(3,257)
(5,345)	North-West Leicestershire District Council	(5,524)
(3,065)	Oadby & Wigston Borough Council	(3,132)
(2,476)	Rutland County Council	(2,546)
(54,196)	Total	(55,955)

A further analysis of grants and contributions received can be seen in the grant income note below (note 12).

10. External audit costs (Group & OPCC)

In 2012/13 the OPCC/Group incurred the following fees relating to external audit. It should be noted that external audit fees were not split between the OPCC and OCC during 2011/12 and hence the figure provided for comparative purposes is the Group position.

2011/12 Group £000	Costs	2012/13		
		OPCC £000	OCC £000	Group £000
68	External audit services	45	19	64
68	Total	45	19	64

In addition to the amounts shown above, external audit fees were incurred in relation to the jointly controlled operations for which the OPCC/Group acts as lead authority. These amounts totalled £5k in 2012/13 (2011/12 £5k), the OPCC/Group share being £1k (2011/12 £1k).

11. Leases (Group & OPCC)

11.1 OPCC as lessee

Finance leases

The OPCC holds a finance lease in respect of the land at the Spinney Hill LPU (Local Policing Unit). In entering into this lease in 2005, the OPCC made an initial lump sum payment which negated the need to make further payments to the landlord over the 99 years of the lease

Operating leases

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

2011/12 Total £000		2012/13					Total £000
		Property £000	Vehicles £000	Photo-copiers £000	Vending machines £000		
507	Payments recognised as an expense	328	34	123	20		505
	Minimum lease payments Payable:						
55	Not later than one year	44	9	-	-		53
434	Later than one year and not later than five years	-	36	408	22		466
3,822	Later than five years	3,485	-	-	74		3,559

Notes to the core financial statements

A number of beat offices are used by the OPCC/Group to support its community policing commitments. Many of these offices are rooms or facilities that are owned by other local authorities or organisations that kindly provide use of them to the OPCC/Group. In the majority of cases these facilities are provided informally although some rooms/facilities are more formally documented. The OPCC/Group does not pay for the use of these facilities, take responsibility for repairs and upkeep nor has any intention to seek ownership (whether in full or in part) of these facilities. On review, it was found that only one of these beat offices qualifies as an operating lease. The office is provided by a major retailer in the Fosse Park area and has been formally documented, albeit at no lease cost to the OPCC/Group.

11.2 OPCC as lessor (Group & OPCC)

Operating leases

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

- Space on radio masts for telecommunication services

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

2011/12 £000		2012/13 £000
	Minimum lease receivables	
	Receivable:	
229	Not later than one year	83
202	Later than one year and not later than five years	288
155	Later than five years	727

12. Grant income (Group & OPCC)

The OPCC/Group credited the following grants and contributions to the Comprehensive Income & Expenditure Statement during the year. The grants are included in the cost of services section and also shown separately in the subjective analysis note (note 2)

2011/12 £000		2012/13 £000
	Credited to services:	
(4,723)	Police community support officers	(4,695)
(1,552)	Dedicated security grant	(1,634)
(855)	Special operations	(811)
(350)	Proceeds of Crime Act	(284)
(504)	Drug testing on charge	(478)
(633)	OP Horizon	-
(178)	Olympics Training Camps	(55)
-	Olympics Mutual Aid	(693)
(150)	Loan charges	(147)
-	Public Order Deployments	(671)
(404)	EMSOU (23.1% share)	(401)
(267)	Others	(241)
(9,616)	Total	(10,110)

Notes to the core financial statements

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

2011/12 £000	<i>Capital grants receipts in advance</i>	2012/13 £000
(106)	3D road traffic scanner grants	-
(14)	s106 developer contributions	(105)
(41)	Mobile data grant	-
-	Peace Grant	(19)
(161)	Total	(124)

13. Trust funds (Group & OPCC)

The OPCC/Group are required, under SI 1997 no 1908 The Police (Property) Regulations 1997, to set aside monies received from the sale of stolen goods so that it may provide financial support to charities and other deserving organisations. However, the OCC administers the Trust fund on behalf of the OPCC/Group and all monies are held on the Balance Sheet of the OPCC/Group.

2011/12 £000		2012/13 £000
15	Opening balance	16
22	Receipts	54
(21)	Donations to charities	(22)
16	Closing balance	48

14. Intangible assets (Group & OPCC)

2011/12 £000		2012/13 £000
	Balance at start of year	
6,270	Gross carrying amounts	6,780
(4,398)	Accumulated amortisation	(5,168)
1,872	Net carrying amount at start of year	1,612
	<i>Additions</i>	
143	• Leicestershire	598
-	• EMSOU	-
(103)	Disposals	-
470	Transfers	338
	<i>Amortisation for the period</i>	
(833)	• Leicestershire	(1,085)
(3)	• EMSOU	(3)
66	Amortisation on disposals	-
1,612	Net carrying amount at end of year	1,460
	Comprising:	
6,780	Gross carrying amounts	7,716
(5,168)	Accumulated amortisation	(6,256)
1,612		1,460

Depreciation

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

- 5 – 10 years

Capital commitments

The OPCC has entered into one contract for the delivery of intangible assets in 2013/14 budgeted to cost £106k.

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

The Leicestershire County Council Estates Department has been retained on behalf of the OPCC/Group to provide valuation services. A full revaluation was completed at 31st March 2009, the impact of which is contained within the figures below. A further assessment was made at each year end up to and including 31st March 2013 to establish whether any interim changes in valuation had occurred. The results of this assessment are contained within the figures below. The land & buildings net carrying amount below includes £110k in respect of the land at Spinney Hill. The land is held under a finance lease.

Following a review to identify components within the OPCC/Group's non-current assets, it was found that the headquarters communications building has two components - heating/ventilation and electrical installation – which have been separated out from the main structure on the OPCC/Group's asset registers. The two components are considered to have an identical useful life; hence they are combined together for depreciation purposes. The heating/ventilation & electrical installation component is carried in the balance sheet at a net book value of £549k (31 March 2012 - £580k) – the remainder of the building structure being held at a net book value of £1.07m (31 March 2012 - £1.64m).

Further details on assets under construction can be seen in Note 19.

Notes to the core financial statements

	land and buildings	vehicles	equipment	helicopter (1/3rd share)	total PPE	assets under construction
2012/13	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2012	53,275	7,044	15,254	1,459	77,032	719
Additions • Leicestershire	1,641	1,387	1,032	-	4,060	1,520
• EMSOU	-	29	109	-	138	-
• EMTSU	-	7	43	-	50	-
Revaluations / impairments						
• Leicestershire	(4,423)	-	-	-	(4,423)	-
• EMASU	47	-	-	-	47	-
Disposals • Leicestershire	-	(848)	(43)	-	(891)	-
• EMSOU	-	(12)	-	-	(12)	-
Transfers • Leicestershire	1,688	-	478	-	2,166	(1,849)
At 31 March 2013	52,228	7,607	16,873	1,459	78,167	390
Accumulated depreciation and impairment						
At 1 April 2012	(1,523)	(4,142)	(11,607)	(730)	(18,002)	-
<i>Depreciation charge</i>						
• Leicestershire	(1,046)	(1,014)	(1,745)	-	(3,805)	-
• EMASU	(5)	(2)	(9)	(146)	(162)	-
• EMSOU	-	(26)	(37)	-	(63)	-
• EMTSU	-	(1)	(3)	-	(4)	-
Disposals • Leicestershire	-	713	40	-	753	-
• EMSOU	-	10	-	-	10	-
<i>Adjustment due to revaluations</i>						
• Leicestershire	595	-	-	-	595	-
• EMASU	3	-	-	-	3	-
<i>Adjustment in respect of transfers</i>						
• Leicestershire	-	-	-	-	-	-
• EMASU	-	-	-	-	-	-
• EMSOU	-	-	-	-	-	-
At 31 March 2013	(1,976)	(4,462)	(13,361)	(876)	(20,675)	-
Net book value						
at 31 March 2013	50,252	3,145	3,512	583	57,492	390
at 31 March 2012	51,752	2,902	3,647	729	59,030	719

Notes to the core financial statements

	land and buildings	vehicles	equipment	helicopter (1/3rd share)	total PPE	assets under constructio n
2011/12	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2011	53,507	6,556	14,152	1,459	75,674	843
Additions • Leicestershire	1,436	1,166	630	-	3,232	1,141
• EMSOU	-	39	41	-	80	-
• EMTSU	-	4	14	-	18	-
Revaluations / impairments						
• Leicestershire	159	-	-	-	159	-
• EMASU	1	-	-	-	1	-
Disposals • Leicestershire	-	(714)	(361)	-	(1,075)	(3)
• EMSOU	-	(7)	(18)	-	(25)	-
Transfers • Leicestershire	(1,828)	-	796	-	(1,032)	(1,262)
At 31 March 2012	53,275	7,044	15,254	1,459	77,032	719
Accumulated depreciation and impairment						
At 1 April 2011	(1,010)	(3,724)	(9,856)	(584)	(15,174)	-
<i>Depreciation charge</i>						
• Leicestershire	(1,097)	(929)	(2,000)	-	(4,026)	-
• EMASU	(4)	(2)	(9)	(146)	(161)	-
• EMSOU	-	(28)	(36)	-	(64)	-
• EMTSU	-	-	-	-	-	-
Disposals • Leicestershire	-	535	294	-	829	-
• EMSOU	-	6	-	-	6	-
<i>Adjustment due to revaluations</i>						
• Leicestershire	585	-	-	-	585	-
• EMASU	3	-	-	-	3	-
<i>Adjustment in respect of transfers</i>						
• Leicestershire	-	-	-	-	-	-
• EMASU	-	-	-	-	-	-
• EMSOU	-	-	-	-	-	-
At 31 March 2012	(1,523)	(4,142)	(11,607)	(730)	(18,002)	-
Net book value						
at 31 March 2012	51,752	2,902	3,647	729	59,030	719
at 31 March 2011	52,497	2,832	4,296	875	60,500	843

Depreciation

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

- Buildings – 7 – 93 years
- Land – not depreciated
- Vehicles – 5 years
- Equipment – 5 – 10 years
- Helicopter - 10 years
- Assets under construction – not depreciated

Capital commitments

At 31 March 2013, the OPCC has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2013/14 and future years budgeted to cost £4.05m - similar commitments at 31 March 2012 were £1.52m - the major commitments are:

- Loughborough - £3.4m
- Borer Replacement Programme - £392k
- IT Tangibles – SAN Replacement - £246k

Effects of Changes in Estimates

There have been no changes in estimates.

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

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

2011/12 £000		2012/13 £000
20,360	Opening capital financing requirement	18,924
	<i>Capital investment</i>	
3,731	Operational assets	5,228
1,141	Non-operational assets	1,520
	<i>Sources of finance</i>	
(952)	Capital receipts	(557)
(1,693)	Government grants & other contributions	(2,481)
(2,132)	Revenue contribution - force	(3,522)
(78)	Revenue contribution - EMSOU	(137)
(18)	Revenue contribution - EMTSU	(50)
(1,437)	Revenue provision (incl. MRP)	(1,293)
18,922	Closing capital financing requirement	17,632
	Explanations of movements in year	
(1,438)	Increase/ (decrease) in underlying need to borrow (supported by government financial assistance)	(1,292)
-	Increase in underlying need to borrow (unsupported by government financial assistance)	-
(1,438)	Increase/(decrease) in capital financing requirement	(1,292)

The figure shown above for capital expenditure during 2012/13 differs from the amounts shown as additions on (a) the intangible and (b) property, plant and equipment notes (notes 14 and 15 respectively). The figure can be reconciled as follows:

2011/12 £000		2012/13 £000
4,872	Capital expenditure for the year (as above)	6,748
(258)	Less: Revenue expenditure financed from capital resources under statute (REFCUS) in the year	(382)
4,614		6,366

17. Investment property (Group & OPCC)

The OPCC/Group has reviewed its non-current assets to identify where an income stream is realised from the asset. In doing so, the OPCC/Group identified its telecommunications masts as potentially being classified as investment property. The masts are in general used for operational purposes to host the OPCC/Group's telecommunications networks. However capacity on the masts is also re-sold to the telecommunications industry to operators looking to boost their coverage for mobile telephony / data networks.

Following a detailed review by an independent firm of chartered surveyors, all masts except one were found to have operational use – hence their continued recognition as non-current assets (within property, plant & equipment) and outside the scope of this note.

One of the OPCC/Group's telecommunications masts, at Braunstone police station, meets the definition of an investment property and adjustments have been made to the accounts to reflect this. The mast has been recognised at market value within the OPCC/Group's balance sheet. This adjustment has been made with effect from 1st April 2009.

The income and expenditure realised from the mast (included in the *Financing and Investment Income & Expenditure* line on the Comprehensive Income & Expenditure Statement for both the Group and the OPCC) is as follows:

2011/12 £000	Braunstone Telecommunications Mast	2012/13 £000
(45)	Rental income from investment property	(12)
4	Direct operating expenses arising from investment property	1
(41)	Net (gain)/loss excluding movements in market value	(11)

Gains or losses on the income and expenditure generated by the telecommunications mast are transferred to the budget equalisation reserve (see note 30) together with the surplus/deficit generated from the other OPCC/Group's telecommunications masts that have not been classified as investment property.

There are no restrictions on the OPCC/Group's ability to realise the value inherent in its investment property or on the OPCC/Group's right to the remittance of income and the proceeds of disposal. The OPCC/Group has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Notes to the core financial statements

The following table summarises the movement in the fair value of investment property over the year:

2011/12 £000		2012/13 £000
282	Balance at the start of the year	302
-	Purchases	-
-	Construction	-
-	Subsequent expenditure	-
-	Additions	-
-	Disposals	-
20	Net gains/(losses)from fair value adjustments	(62)
-	Transfers to/from inventories	-
-	Transfers to/from property, plant & equipment	-
-	Transfers	-
-	Other changes	-
302	Balance at the end of the year	240

18. Assets held for sale (Group & OPCC)

During the course of 2010/11, the OPCC/Group earmarked a number of properties for disposal as part of the *Strategic Estates Review*. This review made recommendations concerning the current and future property need and sought to align the OPCC/Group's estate with its policing commitments.

At 31st March 2012 Ashby, Bottesford, Hinckley, Oakham and Kilby were assets held for sale. Ashby, Bottesford and Kilby were successfully sold during 2012/13 and the transactions for those disposals have been realised in these financial statements.

At 31st March 2013 the property at Oakham had been re-classified back into Property, Plant & Equipment due to planning permission being required before any potential sale could take place. The property is not available for sale in its immediate condition.

The transaction for the disposal of Hinckley had still to be completed at 31st March 2013. However, the legal process was ongoing.

A decision is in place to dispose of properties at Belgrave, New Parks and Lutterworth. However, legal issues prevented their disposal at 31st March 2013. They remain within Property, Plant and Equipment at the Balance Sheet date.

The legal issues concerning Lutterworth were overcome in May 2013 which led to a successful sale of the property in June 2013 for a consideration of £133k (net of costs). The fair value within the Balance Sheet as at 31st March 2013 for Lutterworth Police house is £66k, split between land (£19.8k) and buildings (£46.2k). Because the legal issues were overcome after the balance sheet date (which therefore meant Lutterworth subsequently qualified as an asset held for sale) the Code does not require the retrospective re-classification of Lutterworth at 31st March 2013. The transaction for the disposal of Lutterworth will be processed and disclosed within the 2013/14 financial statements.

2011/12 £000		2012/13 £000
398	Balance at the start of the year	1,326
	Assets classified as held for sale:	
1,828	Property, plant & equipment	-
-	Intangible assets	-
-	Other assets/liabilities in disposal groups	-
(382)	Revaluation losses	-
-	Revaluation gains	-
-	Impairment losses	-
	Assets declassified as held for sale:	
-	Property, plant & equipment	(655)
-	Intangible assets	-
-	Other assets/liabilities in disposal groups	-
(518)	Assets sold	(282)
1,326	Balance at the end of the year	389

19. Assets under construction (Group & OPCC)

Assets under construction can be analysed as follows at the balance sheet date:

31 st March 2012 £000		31 st March 2013 £000
85	Intangible assets	60
283	Property	23
341	IT equipment	307
10	Operational equipment	-
719		390

20. Inventories (Group & OPCC)

31 st March 2012 £000		31 st March 2013 £000
93	Police uniforms	153
98	Vehicle parts and fuel	102
34	Stationery	35
14	Catering supplies	14
-	IT Equipment	31
239		335

21. Debtors (Group & OPCC)

31 st March 2012 £000		31 st March 2013 £000
	Long-term debtors	
69	Car loans to employees	54
35	Sundry debtors	214
104		268
	Short-term debtors	
10,373	Central government bodies	5,743
4,093	Local authorities	5,744
782	Sundry debtors	799
57	Car loans to employees	44
(4)	Less: impairment allowance	(4)
15,301		12,326

Long term payments in advance relates to IT spend for future years' maintenance and software licences.

Central government bodies (above) includes £3,676k (as at 31st March 2012 - £7,070k) receivable from the Home Office in respect of the pensions fund holding account.

Included within the Local authorities figures above are debtors in respect of the OPCC/Group's share of council tax collection fund debtors of £1,833k (as at 31st March 2012 - £1,735k).

22. Cash & cash equivalents (Group & OPCC)

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

31 st March 2012 £000		31 st March 2013 £000
6,300	Bank accounts & petty cash	6,259
14,512	Cash investments (less than three months maturity)	19,013
(403)	Adjustment for cash & cash equivalents held on behalf of joint arrangements	(2,022)
20,409	Total cash & cash equivalents	23,250

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

Short-term investments on the balance sheet represents those deposits made by the OPCC/Group which are due to mature within four to twelve months and are outstanding at the balance sheet date. Interest earned on investments is credited to the Comprehensive Income & Expenditure Statement (for both the Group and the OPCC) on an accruals basis. The balance sheet figure therefore includes interest earned but not paid as at 31st March of each year. The impact of this interest accrual is shown below:

Notes to the core financial statements

31 st March 2012 £000		31 st March 2013 £000
10	Cash investments (four to twelve months maturity)	509
-	Interest receivable accrued at 31 st March	1
10	Total short-term investments	510

The 2011/12 figure for short-term investments above does not include any significant cash investments as at 31st March 2012 all outstanding investments had a maturity date of less than three months.

23. Deferred liabilities (Group & OPCC)

31 st March 2012 £000		31 st March 2013 £000
(3,113)	Leicestershire County Council	(2,674)

The deferred liability represents sums borrowed from Leicestershire County Council before April 1995 to finance police capital spending. This sum is repayable to LCC in annual instalments over 25 years from April 1995.

24. Creditors (Group & OPCC)

31 st March 2012 £000		31 st March 2013 £000
	Short-term creditors	
(3,596)	Central government bodies	(3,411)
(3,883)	Local authorities	(3,751)
(245)	Capital creditors	(205)
(1,042)	Salary & overtime payments	(895)
(1,978)	Sundry creditors	(2,680)
(10,744)		(10,942)

Included within the local authorities figures above are creditors in respect of the OPCC/Group's share of council tax collection fund creditors of £1,609k (as at 31st March 2012 - £1,556k)

25. Long term borrowing (Group & OPCC)

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

31 st March 2012 £000	Maturity	31 st March 2013 £000
-	not more than 2 years	-
-	more than 2 years - not more than 5 years	-
(1,723)	more than 5 years - not more than 10 years	(2,830)
(4,172)	more than 10 years - not more than 15 years	(6,527)
(6,504)	More than 15 years	(3,042)
(12,399)		(12,399)

A significant proportion of the OPCC/Group's long-term borrowing - 77.18% matures more than 10 years after the balance sheet date. The maximum amount repayable in any one year is **£3.46m**.

26. Financial instruments (Group & OPCC)

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

The fair value of each class of financial assets and liabilities which is carried in the balance sheet at amortised cost is as follows:

31 st March 2012			31 st March 2013	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
		Financial assets		
104	104	Long-term debtors	268	268
15,301	15,301	Short-term debtors	12,326	12,326
1,537	1,537	Payments in advance	1,568	1,568
10	10	Short-term investments	510	510
20,409	20,409	Cash & cash equivalents	23,250	23,250
		Financial liabilities		
(10,744)	(10,744)	Short-term creditors	(10,942)	(10,942)
(905)	(905)	Receipts in advance	(866)	(866)
(161)	(161)	Capital grants receipts in advance	(124)	(124)
(131)	(131)	PWLB - short term borrowing	(131)	(131)
(12,399)	(16,164)	PWLB - long term borrowing	(12,399)	(16,675)
-	-	Long-term receipts in advance	(12)	(12)

The financial assets listed above 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 PWLB borrowing has a fair value that is higher than the carrying amount. This is because borrowing with the PWLB is on the basis of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The fair value of PWLB borrowing has been calculated by reference to the "premature repayment" set of rates as at 31st March 2013.

27. Provisions (Group & OPCC)

	Balance at 1 April 2012 £000	additional provisions made £000	amounts used £000	unused amounts reversed £000	Balance at 31 March 2013 £000
Carbon reduction commitment	(80)	(85)	80	-	(85)
Civil claims	(314)	(151)	122	94	(249)
Total	(394)	(236)	202	94	(334)

The carbon reduction commitment of £85k is the estimate of the OPCC/Group's liability under this scheme at 31st March 2013 (£80k as at 31st March 2012).

The civil claims provision reflects the self insured part of public and employer's liability claims where the OPCC/Group's claims handlers have advised there is a high probability of economic benefits being transferred in the future. Claims that have been recorded but are not likely to result in a transfer of economic benefits (in the view of the OPCC/Group's third-party claims handlers) have been reserved for where the OPCC/Group considers it prudent to do so. These amounts are held in the civil claims earmarked reserve and more details can be seen in note 30 below.

28. Usable reserves (Group & OPCC)

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

31 st March 2012 £000		Note	31 st March 2013 £000
23,238	Earmarked reserves	30	22,925
6	Capital grants and contributions unapplied	35	4
5,253	General fund	31	5,253
28,497	Total usable reserves		28,182

29. Unusable reserves (Group & OPCC)

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

31 st March 2012 £000		Note	31 st March 2013 £000
42,481	Capital adjustment account	37	41,584
1,585	Revaluation reserve	36	756
179	Collection fund adjustment account	38	224
(1,338,096)	Pension reserve	32	(1,577,438)
(1,824)	Accumulated absences account	39	(3,244)
(1,295,675)	Total unusable reserves		(1,538,118)

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

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

These reserves are earmarked for the specific purposes noted below:

Reserve name	Balance at 1 April 2011	transfers out 2011/12	transfers in 2011/12	Balance at 31 March 2012	transfers out 2012/13	transfers in 2012/13	Balance at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
Capital expenditure	1,146	(1,593)	2,291	1,844	(1,709)	625	760
Budget equalisation	8,883	(2,215)	4,010	10,678	(3,041)	3,891	11,528
PCSOs	2,381	-	205	2,586	-	356	2,942
Proceeds of Crime Act	1,054	(259)	160	955	(309)	157	803
Carry-forwards (specific)	1,021	(1,021)	2,006	2,006	(2,006)	1,452	1,452
Public order	1,000	-	134	1,134	-	-	1,134
Civil claims	806	(196)	147	757	(300)	-	457
Pensions (general)	751	-	-	751	-	-	751
SPP (Special priority payments)	175	(175)	-	-	-	-	-
Job evaluation	150	-	-	150	-	-	150
Equipment replacement	149	-	-	149	(27)	-	122
Juniper Lodge	111	(43)	44	112	-	107	219
Fleet insurance	107	(160)	153	100	(199)	199	100
Drug testing on charge (Counties BCU)	60	-	-	60	-	-	60
Radio mast income	59	(59)	-	-	-	-	-
PA development programme	50	-	-	50	-	-	50
CRB	40	-	19	59	-	-	59
PCC transition	-	-	500	500	(342)	-	158
IT infrastructure	35	-	-	35	-	-	35
PA tribunals	20	-	-	20	-	-	20
Other	18	(5)	8	21	-	2	23
Subtotal : OPCC/Group (direct control)	18,016	(5,726)	9,677	21,967	(7,933)	6,789	20,823
Jointly Controlled Operations							
EMSOU reserves - 23.1% share	221	(20)	53	254	(74)	34	214
EMTSU – 23.1% share	-	-	40	40	-	3	43
EMASU reserves - 1/3 share	103	(19)	-	84	-	65	149
Subtotal : OPCC/Group (incl. jointly controlled reserves)	18,340	(5,765)	9,770	22,345	(8,007)	6,891	21,229
Funds held on behalf of partners							
Operation Liberal	173	-	205	378	(57)	-	321
Regional collaboration	-	-	515	515	(115)	975	1,375
Grand total : OPCC/Group (incl. reserves held on behalf of partners)	18,513	(5,765)	10,490	23,238	(8,179)	7,866	22,925
movement in the year			4,725			(313)	

Capital expenditure

The OPCC for Leicestershire

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

Budget equalisation

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

Police Community Support Officers (PCSOs)

This provides an element for the future funding of police community support officers. Transfers to the reserve represent the savings in the traffic wardens budget and grant / partnership funding received in excess of the expenditure incurred.

Proceeds of Crime Act

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

Carry-forwards (specific)

This reserve includes those sums that the OPCC/Group has approved to carry forward to finance specific expenditure in 2012/13

Public order

A reserve held to support the OPCC/Group's commitments in the future to policing public order in Leicestershire.

Civil claims

This reserve holds revenue funds that have been set aside where considered prudent by the OPCC/Group against Civil Claims (Public & Employer Liability) that independent advice suggests is unlikely to result in the transfer of economic benefits (i.e. to meet the criteria of a "provision"). The OPCC/Group sets aside these funds to minimise any unforeseen adverse impact on its Comprehensive Income & Expenditure Statement. Further reference to this reserve is made in Note 45 – contingent liabilities.

Pensions (general)

The general pensions reserve exists to help the force meet future but uncertain pensions costs. These are most likely to arise from ill health retirements of police officers. The number, timing and cost of these is unpredictable and would have a direct and adverse impact on the Comprehensive Income & Expenditure Statement.

SPP (special priority payments)

SPP's ceased under the Windsor Review Part 1 from the 1st April 2012. The balance on this reserve was transferred to the Equalisation Reserve during 2011/12.

Job evaluation

This reserve is to support the future job evaluation scheme led by the human resources department.

Equipment replacement

This provides an element for future funding of the renewal and replacement of equipment.

Juniper Lodge

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

Fleet insurance

The excess on the vehicle insurance policy is **£10k**. The reserve is to meet the cost of claims that fall below this value.

Drug testing on charge (DTOC) – counties BCU

This provides an element of future funding for the drug testing on charge project which is not covered by the Home Office grant.

Radio mast income

This reserve was fully utilised during 2011/12 on the purchase of a new generator.

PA development programme

A reserve held to support development of the OPCC during 2013/14.

CRB (Criminal Records Bureau)

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

PCC transition

A reserve established to meet the costs of the transition to the establishment of the new police and crime commissioner. The reserve will be managed by the OPCC's transition board.

IT Infrastructure

A reserve held to provide resilience for the OPCC/Group's information technology infrastructure.

PA Tribunals

A reserve held to support potential future expenditure connected with misconduct hearings, the numbers of which vary significantly from year to year.

EMSOU reserves

This represents the OPCC/Group's share of reserves held by the East Midlands Special Operations Unit.

EMTSU

This represents the OPCC/Group's share of reserves held by the East Midlands Technical Surveillance Unit.

EMASU

This represents the OPCC/Group's share of reserves held by the East Midlands Air Support Unit.

Operation Liberal

Held to support a national project (co-ordinated by the OPCC/Group) intended to reduce distraction burglary.

Regional collaboration

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

31. General fund (Group & OPCC)

The general fund represents the OPCC/Group's uncommitted reserves available to meet the very large demands that are occasionally made on the police service.

2011/12 £000		2012/13 £000
5,253	At 1 st April	5,253
-	Movement in the year	-
5,253	At 31 st March	5,253

32. Pensions reserve (Group & OPCC)

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

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

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

2011/12 £000		Note	2012/13 £000
(1,259,524)	Balance at 1st April		(1,338,096)
(12,845)	Actuarial gains or losses on pensions assets and liabilities	33	(176,784)
(106,801)	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	33	(104,695)
26,817	Employer's pensions contributions and direct payments to pensioners payable in the year	33	26,198
14,257	Pension fund grant from the Home Office in respect of the police pension schemes		15,939
(1,338,096)	Balance at 31st March		(1,577,438)

Note 33 – Defined benefit pension schemes provides further analysis of the figures shown above together with an explanation for their existence.

33. Defined benefit pension schemes (Group & OPCC)

Participation in pension schemes

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

The OPCC/Group participates in the following pension schemes:

- The Local Government Pension Scheme for police staff, is administered by Leicestershire County Council – this is a funded defined benefit final salary 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
- Three police pension schemes for police officers:
 - the *1987 scheme* which was closed to new entrants on 31st March 2006, and
 - the *2006 scheme* which is available to new entrants from 1st April 2006 onwards.
 - Injury awards

All are unfunded defined benefit final salary schemes, meaning 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. Police officers (or transferees from other forces) who were members of the old scheme at 1st April 2006 are able to retain their membership or elect to transfer to the new scheme, whilst all newly recruited police officers are limited to the new scheme. Employer contributions were paid at 24.2% during 2012/13 on both schemes.

Under the Police Pension Fund Regulations 2007, if the amount required to balance the pensions fund for the year is less than the amounts receivable (i.e. contributions from employees and employers), the OPCC/Group must annually transfer an amount required to meet the deficit to the pensions fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pensions fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the OPCC/Group which then must repay the amount to central government.

Transactions relating to post-employment benefits

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

Notes to the core financial statements

	Local Government Pension Scheme		Police Pension Schemes		Comprehensive Income & Expenditure Account	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Cost of services:						
Current service cost	4,955	5,709	33,948	31,536	38,903	37,245
Past service cost	-	12	-	-	-	12
Curtailment	139	17	-	-	139	17
	5,094	5,738	33,948	31,536	39,042	37,274
Financing & investment income/expenditure:						
Interest cost	6,260	6,307	67,983	66,289	74,243	72,596
Expected return on assets in the scheme	(6,484)	(5,175)	-	-	(6,484)	(5,175)
Net charge to surplus / deficit on provision of services	4,870	6,870	101,931	97,825	106,801	104,695
Other comprehensive income & expenditure:						
Actuarial (gains)/losses	12,845	12,894	-	163,890	12,845	176,784
Home Office grant	-	-	(14,257)	(15,939)	(14,257)	(15,939)
Net charge to total comprehensive income & expenditure	17,715	19,764	87,674	245,776	105,389	265,540
Statement of Movement in Reserves:						
Reversal of items not permitted to be charged to the general fund by statute	(17,715)	(19,764)	(87,674)	(245,776)	(105,389)	(265,540)
Employer Contributions	4,371	4,846	22,446	21,352	26,817	26,198
Net charge to general fund	4,371	4,846	22,446	21,352	26,817	26,198
Analysed as:						
Employers' contributions payable to schemes	4,371	4,846	20,488	19,302	24,859	24,148
Direct payments - Injury awards payable	-	-	1,958	2,050	1,958	2,050
Total	4,371	4,846	22,446	21,352	26,817	26,198

Notes to the core financial statements

Amounts charged to *non-distributed costs* in the Comprehensive Income & Expenditure Account (for both the OPCC and the Group) are analysed as follows:

2011/12 £000		2012/13 £000
-	Past service cost	12
139	Curtailments	17
139	Non-distributed costs	29

Amounts charged to *Financing & Investment Income and Expenditure* in the Comprehensive Income & Expenditure Account (for both the OPCC and the Group) are analysed as follows:

2011/12 £000		2012/13 £000
74,243	Interest cost	72,596
(6,484)	Expected return on assets in the scheme	(5,175)
67,759	Pensions interest cost and expected return on pension assets	67,421

Amounts charged to *IAS 19 Current Cost Adjustment (pensions)* in the Subjective Analysis (note 2 – Group and OPCC) are analysed as follows:

2011/12 £000		2012/13 £000
38,903	Current service cost	37,245
(26,817)	Less: employers contributions	(26,198)
12,086	IAS 19 Current cost adjustment (pensions)	11,047

The total contributions expected to be made to the Local Government Pension Scheme by the OPCC/Group in the year to 31st March 2014 are £5.062m. Expected contributions for the police pension schemes in the year to 31st March 2014 are £36.4m. Both of these figures are as provided by the respective Actuaries and make assumptions regarding the consistency of staffing numbers. The ongoing change programme within the OPCC/Group may impact on these figures if staffing numbers change significantly.

Assets & liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities:		Unfunded liabilities:	
	Local Government Pension Scheme		Police pension schemes	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Balance at 1st April	111,824	128,945	1,237,418	1,302,646
Current service cost	4,955	5,709	33,948	31,536
Interest cost	6,260	6,307	67,983	66,289
Contributions by scheme participants	1,953	2,067	8,517	9,124
Actuarial gains & losses	6,826	21,327	-	163,890
Benefits paid	(3,012)	(2,858)	(45,220)	(46,415)
Past service costs/curtailments	139	29	-	-

Notes to the core financial statements

Balance at 31st March	128,945	161,526	1,302,646	1,527,070
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Notes to the core financial statements

Reconciliation of fair value of the scheme assets:

2011/12 £000	Scheme assets: Local Government Pension Scheme	2012/13 £000
89,718	Balance at 1st April	93,495
6,484	Expected return on assets	5,175
(6,019)	Actuarial gains & losses	8,433
4,371	Employer contributions	4,846
1,953	Contributions by scheme participants	2,067
(3,012)	Benefits paid	(2,858)
93,495	Balance at 31st March	111,158

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £13.6m (2011/12 - £0.5m).

Scheme histories

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities:					
Police officer 1987 pension scheme	788,897	1,157,523	1,157,208	1,213,745	1,413,963
Police officer 2006 pension scheme	3,400	12,633	16,241	21,778	34,609
Police officer injury award scheme	53,524	76,954	63,969	67,123	78,498
Local Government Pension Scheme	80,696	150,656	111,824	128,945	161,526
Total liabilities	926,517	1,397,766	1,349,242	1,431,591	1,688,596
Fair value of assets in the Local Government Pension Scheme	(58,196)	(85,136)	(89,718)	(93,495)	(111,158)
Net liabilities:	868,321	1,312,630	1,259,524	1,338,096	1,577,438
Split as:					
Police officer 1987 pension scheme	788,897	1,157,523	1,157,208	1,213,745	1,413,963
Police officer 2006 pension scheme	3,400	12,633	16,241	21,778	34,609
Police officer injury award scheme	53,524	76,954	63,969	67,123	78,498
Local Government Pension Scheme	22,500	65,520	22,106	35,450	50,368

The liabilities show the underlying commitments that the OPCC/Group has in the long run to pay retirement benefits. The total liability of £1,577m has a substantial impact on the net worth of the OPCC/Group as recorded in the balance sheet, resulting in a negative overall balance of £1,510m. However, the statutory arrangements for funding the deficit mean that the financial position of the OPCC/Group remains healthy:

- 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.

Notes to the core financial statements

With effect from 1st April 2012 (valuation date 31/3/2010) the employer's contribution rate has increased to 15.2% (14.5% for 2011/12) and is due to rise to 15.7% in 2013/14. The next valuation on the LGPS (for employer contribution purposes) will be as at 31/3/13 and will take place during 2013/14. It is expected that any change to the employer contribution rate will take effect from 1st April 2014. The deficit on the LGPS scheme has decreased by £15m between March 2010 and March 2013.

- Under the 2006 police pension scheme funding arrangements, any shortfall between the employer's contributions to the pension fund and the pensions paid to former officers will be met by the Home Office through a top-up grant. The rate (%) at which employer contributions are made to the pension fund is set by the Home Office.

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 (and FRS 17 before it). 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.

Mortality assumptions for both the LGPS and police pension schemes are as follows:

Mortality	Local Gov't Scheme		Police Schemes	
	2011/12 Years	2012/13 Years	2011/12 Years	2012/13 Years
Longevity at 65 (60 for police schemes) for current pensioners:				
- Men	20.9	20.9	26.9	27.4
- Women	23.3	23.3	29.1	29.7
Longevity at 65 (60 for police schemes) for future pensioners:				
- Men	23.3	23.3	28.5	29.4
- Women	25.6	25.6	30.8	31.7

The main additional assumptions used in the calculations are:

	Local Gov't Scheme		Police schemes	
	2011/12	2012/13	2011/12	2012/13
- rate of inflation	2.5%	2.8%	2.6%	2.4%
- rate of increase in salaries	4.8%	5.1%	4.1%	3.9%
- rate of increase in pensions	2.5%	2.8%	2.6%	2.4%
- rate for discounting scheme liabilities	4.8%	4.5%	5.1%	4.4%
- take-up of option to convert annual pension into retirement lump sum	50.0% ¹	50.0% ¹	50.0%	50.0%

Notes

¹ 50% applies to pre-April 2008 service, whilst 75% is assumed for post-April 2008 service.

² Previously the rate of inflation was at RPI (retail price index), for 2010/11 onwards this is now CPI (consumer price index).

Notes to the core financial statements

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

31 st March 2012			31 st March 2013	
£000	Expected return (% per annum)		£000	Expected return (% per annum)
60,772	6.2%	Equity Investments	72,253	4.5%*
14,959	3.9%	Bonds	28,901	4.5%*
10,284	4.4%	Property	10,004	4.5%*
7,480	3.5%	Cash	-	4.5%*
93,495			111,158	

* - The expected return % figures provided by Hymans Robertson LLP and shown above are equal to the "discount rate" approach that the forthcoming revision to IAS 19 introduces.

The actuarial gains identified as movements on the pensions reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2013:

1987 police pension scheme:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and (losses) on liabilities	29.4	(28.0)	(2.7)	0.0	0.0

2006 police pension scheme:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and (losses) on liabilities	62.9	(45.0)	0.4	0.0	0.0

"INJURY" police pension scheme:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and (losses) on liabilities	(26.8)	26.3	(19.9)	0.0	0.0

Local government pension scheme:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	(46.0)	21.6	(3.7)	(6.4)	7.6
Experience gains and (losses) on liabilities	0.0	(0.0)	10.8	(0.7)	0.1

34. Capital receipts reserve (Group & OPCC)

This reserve is cash backed. Capital receipts from the disposal of assets are held in the capital receipts reserve until such time as they are used to finance other capital expenditure.

2011/12 £000		2012/13 £000
952	Capital receipts received in the year	557
(952)	Amounts applied to finance new capital investment in the year	(557)
-	Total increase / (decrease) in realised capital receipts in the year	-
-	Balance brought forward at 1 st April	-
-	Balance carried forward at 31st March	-

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

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

2011/12 £000		2012/13 £000
1,484	Amounts receivable in the year	1,754
-	Amounts transferred in respect of a regional capital project	-
(1,486)	Amounts applied to finance new capital investment in the year	(1,756)
(2)	Total increase / (decrease) in the year	(2)
8	Balance brought forward at 1 st April	6
6	Balance carried forward at 31st March	4

36. Revaluation reserve (Group & OPCC)

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

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

There are currently no residual revaluation gains held in respect of EMSOU.

2011/12		2012/13		
Group		OPCC	EMASU (1/3)	Group
£000		£000	£000	£000
	Movements in unrealised value of non-current assets			
910	Gains on upward revaluation of non-current assets	-	50	50
-	Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services	(880)	-	(880)
(18)	Transfer to capital adjustment account in respect of non-current asset depreciation (on a revaluation gain)	2	(1)	1
(55)	Transfer to capital adjustment account in respect of residual gains held at the point of disposal of a non-current asset	-	-	-
837	Total movement on reserve in the year	(878)	49	(829)
748	Opening balance at 1st April	1,573	12	1,585
1,585	Closing balance at 31st March	695	61	756

37. Capital adjustment account (Group & OPCC)

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

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

2011/12	(See note 1 for further details)	2012/13				Group
		OPCC	EMSOU (23.1%)	EMTSU (23.1%)	EMASU (1/3)	
£000		£000	£000	£000	£000	£000
(5,087)	Depreciation/amortisation charge in year	(4,890)	(66)	(4)	(162)	(5,122)
18	Amounts transferred from revaluation reserve in respect of depreciation/amortisation	(2)	-	-	1	(1)
(163)	Transfer from Comprehensive Income & Expenditure Statement in respect of non-current asset revaluations	(2,948)	-	-	-	(2,948)
(382)	Revaluation on non-current assets held for sale	-	-	-	-	-
(258)	Revenue Expenditure funded from Capital under Statute (REFCUS)	(382)	-	-	-	(382)
55	Transfer from revaluation reserve in respect of residual gains held at the point of disposal of a non-current asset	-	-	-	-	-
(817)	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	(420)	(2)	-	-	(422)
(6,634)	Net amount written-out of the cost of non-current assets consumed in the year	(8,642)	(68)	(4)	(161)	(8,875)
2,227	Capital expenditure charged against the general fund	3,522	137	50	-	3,709
952	Use of the capital receipts reserve to finance new capital expenditure	557	-	-	-	557
1,691	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	2,479	-	-	-	2,479
2	Application of grants to capital financing from the capital grants unapplied account	2	-	-	-	2
998	Revenue provision (including MRP)	845	-	-	-	845
439	Voluntary revenue provision for capital financing	448	-	-	-	448
20	Movements in the market value of investment properties charged to the Comprehensive Income & Expenditure Statement	(62)	-	-	-	(62)
(305)	Total movement during the year	(851)	69	46	(161)	(897)
42,786	Opening balance at 1 st April	41,402	162	18	899	42,481
42,481	Closing balance at 31st March	40,551	231	64	738	41,584

38. Collection fund adjustment account (Group & OPCC)

The collection fund adjustment account represents the OPCC/Group's share of the collection fund surplus/deficit held by each council tax billing authority within Leicestershire & Rutland. For 2011/12 and 2012/13, the breakdown of the figure on the OPCC/Group's balance sheet is as follows:

Collection fund heading	Blaby District Council	Charnwood Borough Council	Harborough District Council	Hinckley & Bosworth Borough Council	Leicester City Council	Melton Borough Council	Oadby & Wigston Borough Council	North-West Leicestershire District Council	Rutland County Council	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2012/13										
Council tax arrears	314	475	243	162	1,077	232	82	253	54	2,892
Impairment allowance for bad/doubtful debts	(94)	(185)	(62)	(48)	(482)	(17)	(26)	(146)	(9)	(1,069)
Council tax overpayments & prepayments	(29)	(153)	(61)	(75)	(188)	(45)	(36)	(74)	(18)	(679)
Collection fund (surplus) / deficit	(75)	29	(22)	8	(110)	27	(28)	(34)	(19)	(224)
Cash	(116)	(166)	(98)	(47)	(297)	(197)	8	1	(8)	(920)
2011/12										
Council tax arrears	236	456	274	140	998	203	78	238	34	2,657
Impairment allowance for bad/doubtful debts	(71)	(176)	(64)	(38)	(443)	(10)	(22)	(125)	(9)	(958)
Council tax overpayments & prepayments	(65)	(167)	(63)	(76)	(154)	(55)	(38)	(81)	-	(699)
Collection fund (surplus) / deficit	(43)	(23)	(13)	(7)	(53)	16	(36)	(17)	(3)	(179)
Cash	57	90	134	19	348	154	(18)	15	22	821

The OPCC/Group's collection fund adjustment account therefore has a credit balance (surplus) of **£224k** at 31st March 2013 (2011/12– credit balance of **£179k**).

Notes to the core financial statements

The balance on the collection fund adjustment account can be analysed as follows:

2011/12 £000		2012/13 £000
174	Balance at 1st April	179
5	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	45
179	Balance at 31st March	224

39. Accumulated absences account (Group & OPCC)

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

The London 2012 Olympics placed an unprecedented demand on the OPCC/Group in both supporting the Metropolitan Police and supporting the security of the Team GB training camp held at Loughborough University. These demands were on top of the normal demands of providing a policing service to Leicester, Leicestershire and Rutland.

Key to managing the demands on the organisation's resources was a senior-management led control of abstractions due, for example, to annual leave. Therefore at 31st March 2012, far less annual leave was accrued as officers and staff had been encouraged to take their entitlements before the Olympics. This management control was stood-down following the Olympics and normal annual leave controls were in place at 31st March 2013. This exceptional set of circumstances is demonstrated in the figures provided below in that the value of accumulated absences was far lower at 31st March 2012 than at 31st March 2013.

2011/12 £000		2012/13 £000
(2,679)	Balance at 1st April	(1,824)
2,679 (1,824)	Reversal of opening accrual made at the end of the preceding year Amounts accrued at the end of the current year	1,824 (3,244)
855	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	(1,420)
(1,824)	Balance at 31st March	(3,244)

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

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

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

2011/12 £000		Note	2012/13 £000
(4,251)	Depreciation	1	(4,034)
(382)	Impairment and downward valuations	1	-
(836)	Amortisation	1	(1,088)
(3)	Increase/(decrease) in impairment bad debts	21	-
(1,813)	Increase/(decrease) in creditors/RIA		(210)
9,695	Increase/(decrease) in debtors/PIA		(2,779)
(54)	Increase/(decrease) in inventories	20	96
(79,984)	Movement in pension liability	33	(78,497)
(817)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1	(422)
687	Other non-cash items charged to the net surplus or deficit on the provision of services		(1,804)
(77,758)			(88,738)

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

2011/12 £000		2012/13 £000
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
952	Proceeds from the sale of PP&E, investment property and intangible assets.	557
1,691	Any other items for which the cash effects are investing or financing flows	2,479
2,643		3,036

40.3 net cash flows from operating activities include the following items:

2011/12 £000		2012/13 £000
160,834	Payments made in respect of employees, ill-health pensioners and injury awards	157,987
834	Interest paid	812
(54,190)	Council tax (Precept) income	(55,911)
(36,649)	National non-domestic rates income	(45,490)
(11,328)	Revenue support grant income	(882)
(73,782)	Police grant income	(67,317)
(8,434)	Other grant income	(11,167)
(139)	Interest received	(247)

There are additional items that take place between the OPCC/Group and the pension fund account. Amounts are paid by the OPCC/Group – on behalf of the fund – in advance of receipt of the Home Office pension grant.

Notes to the core financial statements

The result is that the OPCC/Group has lent the fund the value of the Home Office debtor. This will be reversed in 2013/14 on receipt of the outstanding pension grant - £3,676k (2011/12 - £7,070k).

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

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

2011/12 £000		2012/13 £000
4,811	Capital expenditure in the year	6,787
(952)	Capital receipts received in the year	(557)
(1,785)	Capital grants & contributions received in the year	(2,442)
-	Net movement in short-term investments	499
2,074	Total Investing Activities cash flows	4,287

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

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

2011/12 £000		2012/13 £000
56	Repayment of short/long term borrowing – PWLB	-
439	Repayment of deferred liabilities – Leicestershire County Council debt	439
495	Total Financing Activities cash flows	439

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

The Statement of Accounts was authorised for issue by the Chief Finance Officer on XXth September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

44. Accounting standards issued, not adopted (Group & OPCC)

Title of new standard

IAS 19 Employee Benefits (June 2011 amendments)

Nature of change in accounting policy

The amendments are intended to simplify the presentation and hence the understanding of how the defined benefit pension schemes affect the financial position of an entity. For funded schemes (i.e. the LGPS) the “expected return on assets” will be replaced by “interest on assets” and calculated using the discount rate. The amended standard also clarifies how actuarial gains/losses are to be treated within financial statements (i.e. no deferral will be allowed) together with a requirement to split gains/losses caused by a change in actuarial assumptions into *financial* and *demographic* assumptions.

Date of application of new standard

The revised standard will apply to the accounting period beginning 1st April 2013.

Impact of the introduction of new standard

The impact is expected to be presentational and hence not material. The impact will be retrospectively applied within the 2013/14 financial statements.

Title of new standard

IFRS 7 Financial Instruments Disclosures – offsetting financial assets and liabilities (December 2011 amendments)

Nature of change in accounting policy

This standard focuses on the significance of offsetting financial instruments. An example of an offset would be where entities present their rights and obligations from/to each other as a net amount within their respective financial statements.

Date of application of new standard

The revised standard will apply to the accounting period beginning 1st April 2013.

Impact of the introduction of new standard

The impact is not expected to be material.

45. Contingent liabilities (Group & OPCC)

The Civil Claims earmarked reserve (see Note 30 for further details) includes funds set aside by the OPCC/Group in respect of civil claims received by the claims handlers where transfer of economic benefits is deemed to be unlikely. The OPCC/Group has, however, considered it prudent to set aside funds in the discretionary reserve to cover an unforeseen change to that assessment.

The reserve contains £457k (2011/12 - £384k) in respect of 34 (2011/12 – 31) specific civil claims. The maximum amount set aside for an individual claim in the earmarked reserve is £50k – equal to the OPCC/Group's insurance excess.

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

In applying the accounting policies set out in Note 52, the OPCC/Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the OPCC/Group about the future 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.

The items in the balance sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the core financial statements

item	uncertainty	effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the OPCC/Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £16k for every year that useful lives had to be reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the OPCC/Group with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. Sensitivities are shown below. However, the assumptions interact in complex ways. During 2012/13, the OPCC's actuaries advised that the net pensions liability had increased by £239m as a result of estimates being corrected as a result of experience and updating of the assumptions.
Sensitivity of pension liabilities: Local Government Pension Scheme		
<i>Change in assumptions</i>		£000
0.5% decrease in real discount rate		20,258
1 year increase in member life expectancy		4,846
0.5% increase in salary increase rate		8,255
0.5% increase in the pension increase rate		11,517
Sensitivity of pension liabilities: Police Pension Schemes		
<i>Change in assumptions</i>		£000
0.1% increase in real discount rate		(31,058)
1 year increase in member life expectancy		28,009
0.1% increase in salary increase rate		31,786
Cost of spreading unfunded accrued liability over 40 years – per annum		40,191
Police pension schemes	Top-grant grant receivable from Home Office to cover deficit on schemes is 100%	If top-up grant is cut from 100% to 90% - cost to OPCC/Group of £1.6m per annum

48. Material items of income and expense (Group & OPCC)

None currently

49. Impairment losses (Group & OPCC)

There were no impairment losses realised during 2012/13 for either the OPCC or the Group.

During 2011/12, the OPCC/Group recognised one impairment loss:

- £915K in relation to Wigston police station. The existing building was substantially reconfigured. On completion of the building works a valuation was obtained from the OPCC/Group's appointed valuer.

50. Termination benefits (Group & OPCC)

The OPCC/Group terminated the contracts of a number of employees in 2012/13, incurring liabilities of £157k (£242k in 2011/12) – see Note 7 for the number of exit packages and total cost per band. The £157k is payable to staff from a number of departments as well as regional teams for which the OPCC/Group is the lead authority as part of the ongoing savings strategy.

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

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

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

Credit risk

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

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

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

Customer credit risk has a very low overall effect on the OPCC/Group by virtue of income from customers being equal to only 4.30% of total income (2011/12 – 4.02%). The risk is managed via the OPCC/Group's credit control policy. This policy sets out the framework within which financial relationships with the OPCC/Group's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Chief Finance Officer for the OCC may authorise the write-off of unrecoverable amounts up to £10k. Amounts above £10k require the authorisation of the Chief Finance Officer for the OPCC.

To further mitigate the risk of customer credit default, the OPCC/Group makes a bad debt impairment each year. The impairment is equal to 0.03% of the total debtors value (2011/12 – 0.03 %). Further information concerning this impairment can be seen in Note 21.

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 25 – Long term borrowing.

All standard creditors are due to be paid within one year – further information can be found in Note 24 – Creditors.

Market risk

Interest rate risk

Notes to the core financial statements

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

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

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

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

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

Price risk

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

Foreign exchange risk

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

52. Accounting policies used by the Group & OPCC

A1 General principles

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

The Statement of Accounts summarises the OPCC and Group transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013. The OPCC/Group is required to prepare an annual statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* (the Code) and the *Service Reporting Code of Practice 2012/13* (SeRCOP) as published by CIPFA, supported by International Financial Reporting Standards (IFRS).

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

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

A2 Accruals of income and expenditure

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

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

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

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

A3 Exceptional items

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

A4 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 OPCC/Group 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 OPCC/Group will restate prior-year figures and provide a full explanation of the adjustments.

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

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

A5 Council tax – collection fund debtors/creditors and surplus/deficit

The Code requires that council tax income included in the Comprehensive Income and Expenditure Statement be accounted for on an accruals basis. The difference between the amount shown in the Comprehensive Income and Expenditure Statement and the amount required to be transferred to the OPCC/Group under regulation is taken to the Collection Fund Adjustment Account on the Balance Sheet. A reconciling item is also included on the Movement in Reserves Statement.

In addition to the accounting requirements for the Comprehensive Income and Expenditure Statement, the Code requires that each major preceptor (the OPCC/Group in this case) recognises its share of the

Notes to the core financial statements

collection fund debtors and creditors held by each billing authority. Entries are therefore included within the OPCC/Group's debtor and creditor balances to represent its share of the following:

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

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

A6 Cash and cash equivalents

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

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

The OPCC/Group holds a number of accounts with its banking provider, the balances of which are set-off against each other at the close of each banking day. The net position of these accounts is shown within cash and cash equivalents (within current assets if in credit or within current liabilities if overdrawn).

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

A7 Financial instruments

The OPCC/Group's balance sheet contains financial assets & liabilities valued at amortised cost. Examples of these assets or liabilities include debtors, creditors, cash overdrafts and short/long-term borrowings. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

Where assets or liabilities mature within 12 months of the balance sheet date the carrying amount is assumed to approximate the fair value. In the example of short-term cash investments this means that they are shown at cost plus accrued interest receivable at the balance sheet date as this approximates fair value. Short-term cash investments due to mature within three months of the balance sheet date are shown within "cash & cash equivalents" on the balance sheet.

Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability. For example, interest payable on long-term borrowing (with the Public Works Loan Board or PWLB) is defined by the terms of each loan and the interest rate is fixed at the outset.

Annual credits to the Comprehensive Income & Expenditure Statement for interest receivable are based on the carrying amount of the asset (in this case the short-term cash investment) multiplied by the effective rate of interest (or in other words the agreed rate of return on the investment).

Deferred Liabilities (long-term borrowing with Leicestershire County Council) are accounted for on the basis of outstanding principal amounts as defined by statutory arrangements.

A8 Interest

Interest payable on external borrowings and interest receivable on short-term investments are accounted for on an accruals basis within the accounts. This is to reflect the overall economic effect of the borrowings or investments.

A9 Provisions & Contingent Liabilities

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the OPCC/Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are disclosed in a note to the accounts (Note 45).

A10 Property, plant and equipment

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

Recognition

Expenditure – over specified de minimis level – currently £5,000 - on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the OPCC/Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

The OPCC/Group does not capitalise borrowing costs incurred whilst assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the general fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- assets under construction – depreciated historical cost

Notes to the core financial statements

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Components

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

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a

Notes to the core financial statements

determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

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

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

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

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

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on assets held for sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the OPCC/Group's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the Movement in Reserves Statement.

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

A11 Charges to revenue for non-current assets

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

- depreciation attributable to the assets used by the relevant service

Notes to the core financial statements

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

A12 Redemption of debt

The OPCC/Group is not required to raise council tax to cover depreciation, impairment/revaluation losses or amortisations. However, it is required to make an annual provision from revenue (the “MRP” or “Minimum Revenue Provision”) to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the OPCC/Group in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment/revaluation losses and amortisations are therefore replaced by the minimum revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

A13 Capital receipts

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

A14 Leases

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

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

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

The OPCC/Group as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the OPCC/Group are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset’s estimated useful life (where ownership of the asset does not transfer to the OPCC/Group at the end of the lease period).

The OPCC/Group is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or

equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The OPCC/Group as Lessor

Finance Leases

Where the OPCC/Group grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Again, representing the OPCC/Group's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the general fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the general fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve

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

Operating Leases

Where the OPCC/Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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

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

Where such an arrangement is deemed to constitute a lease, it is disclosed within the *leasing* note in the financial statements (note 11).

A15 Government grants and contributions

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

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

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

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

A16 Inventories

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

Inventories are valued on the basis of average cost price.

A17 Reserves

The OPCC/Group maintains reserves to finance expenditure on projects which will be carried out in future years and to protect the OPCC/Group against unexpected events.

Details of the nature of reserves made by the OPCC/Group are set out in the notes to the accounts.

A18 Investments

Investments (all maturing within 12 months and hence short-term in nature) are included in the accounts at cost price plus accrued interest owed to the OPCC/Group at the balance sheet date. Where an investment has a short maturity – a period of three months or less from the date of acquisition of the investment – and is due to mature within three months of the balance sheet date, it is shown in cash and cash equivalents.

A19 Pensions

The cost of retirement benefits is recognised in the net cost of services during the period when they are earned by employees, rather than when the benefits are actually paid as pensions in accordance with IAS 19. However, the charge we are required to make against government grants & council tax is based on the employer's contributions to each pension scheme during the year as assessed by an independent actuary.

Further details concerning the impact on the Statement of Accounts from the OPCC/Group's accounting policy for pensions can be seen in Note 33 – Retirement benefits.

A20 Employee benefits

Benefits payable during employment

The OPCC/Group makes an accrual in the Comprehensive Income & Expenditure Account for the short-term employment benefits that were not taken during the financial year. These benefits are:

The OPCC for Leicestershire

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

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

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

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

Termination benefits

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

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

Post-employment benefits

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

- Police staff

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

- 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. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus if required to be transferred from the pension fund to the OPCC/Group, which then must be repaid to central government. In April 2006 the Home Office introduced changes to the arrangements for police pension financing. The existing police pension scheme (1987 scheme) closed to new members on 5 April 2006. New police recruits from 6 April 2006 will join the new police pension scheme (2006 scheme).

Both types of schemes provided defined benefits to members (retirement lump sums and pensions), earned whilst employees of the OPCC/Group.

Police staff

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

- The liabilities of the Leicestershire County Council pension fund attributable to the OPCC/Group are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions of mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.1% p.a. The discount rate is the yield on the corporate bond index rated over 15 years.

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 pension's liability is analysed into seven components:

1. Current service cost – the increase in liabilities as a result of years of service earned during this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
2. Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure. This statement includes the capitalised gain from the change in pension increase policy from the Retail Price Index (RPI) to Consumer Price Index (CPI) as non-distributed cost.
3. Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
4. Expected return on assets – the annual investment return on the fund assets attributable to the OPCC/Group, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
5. Gains or losses on settlements and curtailments – the result of actions to relieve the OPCC/Group of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
6. 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 – debited to the pensions reserve.
7. Contributions paid to the Leicestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Police officers

The OPCC/Group participates in the following schemes:

- Police officers in service on or before 31 March 2006 are admitted to the 1987 Police Pensions Scheme - 1987 scheme
- Police officers in service on or after 1 April 2006 are admitted to the 2006 Police Pension Scheme – 2006 scheme

Both of these schemes are defined benefit schemes and are unfunded, meaning that there are no investment assets built up to meet pensions liabilities.

The expenditure and income in respect of this scheme is accounted for in the police pension fund account with the exception of injury and some ill health retirement payments, which are charged to the Comprehensive Income and Expenditure Statement. The pensions top up grant, receivable by the fund, is initially credited to the Comprehensive Income and Expenditure Statement, and then transferred to the police pension fund account via the Movement in Reserves Statement

The liability for future payments that will be made in relation to retirement benefits has been assessed by the Scheme's actuaries based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees

The cost of future retirement benefits when they are earned by serving police officers are recognised in the Comprehensive Income and Expenditure Statement in accordance with *IAS 19, Accounting for Retirement Benefits*, and therefore form part of the net deficit for the year. In order to ensure that these costs have a neutral impact upon the amount raised from council tax, they are reversed out in the Movement in Reserves Statement.

Discretionary benefits

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

A21 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core – costs relating to the OPCC/Group's status as a multifunctional, democratic organisation.
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of net expenditure on continuing services.

The Comprehensive Income & Expenditure Statement is produced by following the "Police Objective Analysis" approach to costing – this results in the net costs of the OPCC/Group being aligned to one of eleven key headings:

- Local policing
- Dealing with the public
- Criminal justice arrangements
- Road policing
- Specialist operations
- Intelligence
- Specialist investigation
- Investigative support
- National policing

- Non distributed costs
- Corporate and democratic core

There is also a “Subjective Analysis” version of the Comprehensive Income & Expenditure Statement (Note 2) provided which presents the same net costs of the OPCC/Group as under the “Police Objective Analysis” but by cost category instead. An example of such a cost category is “Police Officer Pay and Allowances” or “Supplies and Services”.

A22 Estimation techniques

The following estimation techniques have been used in the accounts:

- Capital creditors – quantity surveyors estimate of the value of the work undertaken
- IAS 19 Valuation – actuarial valuations of future pensions liabilities are provided by independent actuaries.
- Employee benefits – where employee benefits have been accrued for at the balance sheet date, they have been calculated using a sample of data taken from the various systems (whether manual or electronic) in which it is retained. This sample is analysed and extrapolated upwards to calculate the accrual for the population.
- Vehicle fleet residual values and depreciation rates – a comparison between estimated sales proceeds and the residual value of each vehicle (10% of purchase cost) is used to gain assurance that the valuation and depreciation policies remain appropriate.
- Civil claims provision – estimations of the OPCC/Group’s potential liability to civil claims is provided by the appointed claims handlers. See the specific accounting policy above.
- Bad debt provision – the OPCC/Group assesses the outstanding sales invoices at 31st March and makes specific provision for those invoices where it is considered unlikely payment will be received.

A23 Jointly controlled operations

The OPCC/Group has an interest in seven jointly controlled operations. It is the lead accounting body for five of these:

- East Midlands Air Support Unit (EMASU)
 - The additional partners are Northamptonshire Police and Warwickshire Police
- East Midlands Special Operations Unit (EMSOU).
 - The additional partners are Derbyshire Police, Lincolnshire Police, Northamptonshire Police and Nottinghamshire Police
- East Midlands Special Operations Unit – Major Crime (EMSOU-MC)
 - The additional partners are Derbyshire Police, Lincolnshire Police, Northamptonshire Police and Nottinghamshire Police
- East Midlands Collaborative Human Resources Services – Learning & Development Unit (EMCHRS-LDU)
 - The additional partners are Derbyshire Police, Northamptonshire Police and Nottinghamshire Police
- East Midlands Collaborative Human Resources Services – Occupational Health Unit (EMCHRS-OHU)
 - The additional partners are as EMSOU

The lead accounting body for the remaining jointly controlled operations is Derbyshire Police

- East Midlands Technical Surveillance Unit (EMTSU)

- The additional partners are as EMSOU
- East Midlands Legal Services Unit (EMLSU)
 - The additional partners are as EMCHRS-LDU

Adjustments have been made to the balance sheet to reflect the share of each jointly controlled operation's gross assets and liabilities controlled by the OPCC/Group as at 31st March 2013. Adjustments have also been made to the Comprehensive Income & Expenditure Statement to reflect the OPCC/Group's share of each jointly controlled operation's transactions during the year.

These adjustments have no effect on the overall amount to be met from government grants and council tax.

Leicestershire contributes 1/3 (one third) to the net revenue budget of EMASU, 23.1% to EMSOU, EMSOU-MC, EMCHRS-OHU and EMTSU and 26.4% to EMCHRS-LDU and EMLSU

During the course of 2013/14, EMASU will become part of the National Police Air Service (NPAS). At that point, EMASU will cease to exist and all assets and liabilities will transfer to West Yorkshire Police who will be the lead accounting authority for NPAS. Recognition of the OPCC/Group's share of the assets and liabilities of EMASU will be removed from the OPCC/Group's Balance Sheet by 31st March 2014. The transfer of assets (in particular the helicopter) will be in the form of an asset surrender and hence no financial consideration will be realised by the OPCC/Group.

A24 Events after the reporting period

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

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

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

A25 Investment property

These are non-current assets that are held solely to earn income and/or realise capital appreciation and are valued at market value as determined by the OPCC/Group's specialist valuers. Any change in the market value of the investment property (together with any income or expenditure that is generated) is debited or credited to the *financing and investment income and expenditure* section of the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

A26 Non-current assets held for sale

Assets held for sale are those assets whose carrying amount is going to be recovered principally through a sale transaction rather than through continued use. Assets that are intended to be abandoned or scrapped at the end of their useful life are not covered by this definition. The Code sets a number of specific criteria, all of which must be met for an asset to be deemed "asset held for sale":

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

Where an asset meets these four criteria, it is revalued at fair value (existing use) and then transferred to the *assets held for sale* heading on the balance sheet. Assets held for sale are measured at the lower of (a) fair value [existing use] and (b) market value less disposal costs. Where the market value of an asset held for sale is deemed to have fallen below the current carrying value, the loss is charged to the Comprehensive Income & Expenditure Statement ("Other Operating Expenditure" line). However, as this is not a charge permitted by statute against the general fund, a reconciling entry is made in the Movement in Reserves Statement to reverse the transaction to the Capital Adjustment Account.

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

A27 Intangible assets

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

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

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

A28 Revenue expenditure funded from capital under statute

Expenditure that is financed by capital funding but does not result in either a new asset or an increase in value of an existing asset is classified as Revenue Expenditure Funded from Capital Under Statute and is amortised fully through the Comprehensive Income & Expenditure Statement in the year that the expenditure is incurred. A reversing entry is made in the Movement in Reserves Statement to neutralise the effect on the OPCC/Group's revenue funds

A29 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.

A30 Accounting for the costs of the carbon reduction commitment scheme

The OPCC/Group is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The OPCC/Group is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the OPCC/Group is recognised and reported in the costs of the OPCC/Group's services and is apportioned to services on the basis of energy consumption.

Introduction

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

The fund receives income each year from:

- Employer's contributions from the OPCC/Group based on a percentage of pay
- Home Office top-up grant
- 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:

2011/12 £000		2012/13 £000
(19,107)	Contributions receivable:	
(1,367)	OPCC/Group	
(14)	■ employer's contributions	(18,488)
(8,516)	■ early retirements	(811)
(29,004)	■ reimbursement of unabated pensions of '30+' officers	(4)
	■ officers' contributions	(9,124)
(167)		(28,427)
	Transfers in from other pension schemes	(331)
30,202	Benefits payable:	
10,256	■ pensions	33,069
2,112	■ commutations and lump sum retirement benefits	10,344
-	■ ill-health commutations and lump sum retirement benefits	1,043
42,570	■ lump sum death benefits	240
		44,696
16	Payments to and on account of leavers:	
842	■ refund of contributions	1
858	■ transfers out to other police authorities	-
14,257		1
(14,257)	Net amount payable for the year	15,939
	Additional contribution from the OPCC/Group	(15,939)

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

31 March 2012 £000		31 March 2013 £000
7,070	Current assets	
	Contributions due from the OPCC/Group	3,676
-	Current liabilities	
	Unpaid pensions benefits	220
7,070		3,896

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 by an adjustment in the Statement of Movement in Reserves. 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 52, A19 and A20, notes to the core financial statements.

Note 3

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

Details of the OPCC/Group's long-term pension obligations can be found in the notes to the core financial statements at note 33

Note 4

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to by the Government Actuary's Department. The last revaluation was as at 31/3/2008 and the next revaluation date is unknown.

2011/12 %		2012/13 %
24.20	Employer's contribution level	24.20
12.25	Employees' contribution level	13.50
10.50	<ul style="list-style-type: none"> ■ 1987 scheme ■ 2006 scheme 	11.50

- The employees' contribution level figures are quoted for a tier 2 officer – those on a basic annual salary of more than £27k but less than £60k.

The East Midlands Air Support Unit (EMASU) is responsible for the operation of a police helicopter in Leicestershire, Northamptonshire and Warwickshire. The OPCC/Group acts as the lead authority. During 2012/13, the OPCC/Group contributed £353k (2011/12 - £336k) to EMASU.

During the course of 2013/14, EMASU will become part of the National Police Air Service (NPAS). At that point, EMASU will cease to exist and all assets and liabilities will transfer to West Yorkshire Police who will be the lead accounting authority for NPAS. Recognition of the OPCC/Group's share of the assets and liabilities of EMASU will be removed from the OPCC/Group's Balance Sheet by 31st March 2014. The transfer of assets (in particular the helicopter) will be in the form of an asset surrender and hence no financial consideration will be recognised by the OPCC/Group.

Comprehensive Income & Expenditure Statement

- *presented in a subjective analysis format*

2011/12 Outturn £000		2012/13 Outturn £000
390	Employees' expenses	342
45	Premises	47
698	Transport	694
29	Supplies and services	30
58	Agency & contracted services	32
-	Revenue expenditure financed from capital resources	-
482	Depreciation & amortisation	486
1,702	Gross operating expenditure	1,631
(68)	Other income	(280)
-	Profit/loss on disposal of non-current assets	-
1,634	Amount to be met by partners	1,351
(1,073)	Contributions from partners	(1,058)
-	External grants	-
561	(Surplus) / deficit on provision of services	293
(13)	(Surplus) / deficit on revaluation on non-current assets	(150)
(13)	Other comprehensive income and expenditure	(150)
548	Total comprehensive income and expenditure	143

Statement of Movement in Reserves

Note: this Statement is presented in a format relevant to EMASU – in the consolidation with the OPCC/Group there would be a transfer to reserves showing below equal to the “EMASU Reserve Increase/Decrease” figure

	EMASU reserve	Total usable reserves	CAA	Revaluation Reserve	Employee Benefits	Total unusable reserves	Total EMASU Reserves
2012/13							
	<i>Note</i>						
	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2012	229	229	2,697	37	-	2,734	2,963
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	(293)	(293)	-	-	-	-	(293)
Other comprehensive income & expenditure	150	150	-	-	-	-	150
Total comprehensive income & expenditure	(143)	(143)	-	-	-	-	(143)
Adjustments between accounting basis & funding basis under regulations	338	338	(482)	146	(2)	(338)	-
Net increase/(decrease) before transfers to/from earmarked reserves	195	195	(482)	146	(2)	(338)	(143)
Transfers (to)/from earmarked reserves	-	-	-	-	-	-	-
Increase/(decrease) in 2012/13	195	195	(482)	146	(2)	(338)	(143)
Balance as at 31st March 2013	424	424	2,215	183	(2)	2,396	2,820

	EMASU reserve	Total usable reserves	CAA	Revaluation Reserve	Employee Benefits	Total unusable reserves	Total EMASU Reserves
2011/12							
	<i>Note</i>						
	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2011	308	308	3,179	24	-	3,203	3511
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	(561)	(561)	-	-	-	-	(561)
Other comprehensive income & expenditure	13	13	-	-	-	-	13
Total comprehensive income & expenditure	(548)	(548)	-	-	-	-	(548)
Adjustments between accounting basis & funding basis under regulations	469	469	(482)	13	-	(469)	-
Net increase/(decrease) before transfers to/from earmarked reserves	(79)	(79)	(482)	13	-	(469)	(548)
Transfers (to)/from earmarked reserves	-	-	-	-	-	-	-
Increase/(decrease) in 2011/12	(79)	(79)	(482)	13	-	(469)	(548)
Balance as at 31st March 2012	229	229	2,697	37	-	2,734	2,963

Balance Sheet

31 st March 2012 £000		Note	31 st March 2013 £000
	Non-Current Assets		
2,733	Property, Plant & Equipment	1	2,397
2,733	Total Long Term Assets		2,397
	Current Assets		
121	Short Term Debtors	2	409
214	Cash & Cash Equivalents		210
	Current Liabilities		
(105)	Short Term Creditors	3	(194)
-	Provision for Accumulated Absences	5	(2)
-	Receipt in Advance		-
230	Net current assets		423
2,963	Net assets / (Liabilities)		2,820
229	Usable Reserves	4	424
2,734	Unusable Reserves	5	2,396
2,963	Total Reserves		2,820

Notes to the financial statements

1. Non-current assets

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Helicopter, hanger, and equipment valuation is based on the acquisition cost (plus the value of any work carried out on the asset before it goes into service), less the depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

Property, plant and equipment

2012/13	Helicopter £000	Hanger £000	Equipment £000	Vehicles £000	Total £000
Cost or valuation					
At 1 April 2012	4,378	435	283	29	5,125
Additions	-	-	-	-	-
Revaluations / impairments	-	139	-	-	139
Disposals	-	-	-	-	-
At 31 March 2013	4,378	574	283	29	5,264
Accumulated depreciation and impairment					
At 1 April 2012	(2,189)	(10)	(172)	(20)	(2,391)
Depreciation charge	(438)	(14)	(28)	(6)	(486)
Disposals	-	-	-	-	-
Adjustment due to revaluations	-	10	-	-	10
At 31 March 2013	(2,627)	(14)	(200)	(26)	(2,867)
Net book value					
at 31 March 2013	1,751	560	83	3	2,397
at 31 March 2012	2,189	425	111	8	2,733

2011/12	Helicopter £000	Hanger £000	Equipment £000	Vehicles £000	Total £000
Cost or valuation					
At 1 April 2011	4,378	432	283	28	5,121
Additions	-	-	-	-	-
Revaluations / impairments	-	3	-	-	3
Disposals	-	-	-	-	-
At 31 March 2012	4,378	435	283	28	5,124
Accumulated depreciation and impairment					
At 1 April 2011	(1,752)	(10)	(143)	(14)	(1,919)
Depreciation charge	(437)	(10)	(29)	(6)	(482)
Disposals	-	-	-	-	-
Adjustment due to revaluations	-	10	-	-	10
At 31 March 2012	(2,189)	(10)	(172)	(20)	(2,391)
Net book value					
at 31 March 2012	2,189	425	111	8	2,733
at 31 March 2011	2,626	422	140	14	3,202

2. Debtors

31 st March 2012 £000		31 st March 2013 £000
-	Central Government Bodies	255
121	Other Local Authorities	153
-	Sundry debtors	1
121		409

3. Creditors

31 st March 2012 £000		31 st March 2013 £000
(16)	Central Government Bodies	(28)
(26)	Other Local Authorities	(63)
(63)	Sundry creditors	(103)
(105)		(194)

4. Transfers to/from usable reserve

This reserve contains resources set aside to meet future unbudgeted expenditure

31 st March 2012 £000		31 st March 2013 £000
308	balance at 1 April	229
(79)	transfers out	-
-	transfers in	195
229	balance at 31 March	424

5. Unusable reserves

Capital Adjustment Account

2011/12 £000		2012/13 £000
(482)	Depreciation/amortisation charge in year	(486)
-	Revaluation on non-current assets held for sale	-
-	Revenue Expenditure funded from Capital under Statute (REFCUS)	-
	Transfer from Revaluation Reserve in respect of depreciation on revaluations	4
(482)	Net amount written-out of the cost of non-current assets consumed in the year	(482)
-	Capital expenditure charged against the general fund	-
(482)	Total movement during the year	(482)
3,179	Opening balance at 1 st April	2,697
2,697	Closing balance at 31st March	2,215

Revaluation Reserve

2011/12 £000		2012/13 £000
	Movements in unrealised value of non-current assets	
13	Gains on upward revaluation of non-current assets	150
-	Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services	-
-	Transfer to capital adjustment account in respect of non-current asset depreciation (on a revaluation gain)	(4)
-	Transfer to capital adjustment account in respect of residual gains held at the point of disposal of a non-current asset	-
13	Total movement on reserve in the year	146
24	Opening balance at 1st April	37
37	Closing balance at 31st March	183

Accumulated absences account

2011/12 £000		2012/13 £000
-	Balance at 1st April	-
-	Reversal of opening accrual made at the end of the preceding year	-
-	Amounts accrued at the end of the current year	(2)
-	Amounts by which remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)
-	Balance at 31st March	(2)

The East Midlands Special Operations Unit (EMSOU) was formed on the 1st January 2003 and is responsible for undertaking special operations across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. The OPCC/Group acts as the lead authority. During 2012/13, the OPCC/Group contributed £1,911k (2011/12 - £1,208k) to EMSOU.

Comprehensive Income & Expenditure Statement

- *presented in a subjective analysis format*

2011/12 Outturn £000		2012/13 Outturn £000
3,869	Employees' expenses	6,488
879	Premises	957
389	Transport	663
1,136	Supplies and services	1,278
211	Agency & contracted services	110
34	Revenue expenditure financed from capital resources	-
289	Depreciation & amortisation	284
6,807	Gross operating expenditure	9,780
(45)	Other income	(155)
33	Profit/loss on disposal of non-current assets	(1)
6,795	Amount to be met by partners	9,624
(5,074)	Contributions from partners	(7,956)
(1,790)	External grants	(1,735)
(69)	(Surplus) / deficit on provision of services	(67)
-	(Surplus) / deficit on revaluation on non-current assets	-
-	Other comprehensive income and expenditure	-
(69)	Total comprehensive income and expenditure	(67)

Statement of Movement in Reserves

Note: this Statement is presented in a format relevant to EMSOU – in the consolidation with the OPCC/Group there would be a transfer to reserves showing below equal to the “EMSOU reserve increase/decrease” figure

2012/13	EMSOU reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU reserves
<i>Note</i>	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2012	302	773	1,075	602	(55)	547	1,622
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	67	-	67	-	-	-	67
Other comprehensive income & expenditure	-	-	-	-	-	-	-
Total comprehensive income & expenditure	67	-	67	-	-	-	67
Adjustments between accounting basis & funding basis under regulations	(242)	-	(242)	306	(64)	242	-
Net increase/(decrease) before transfers to/from earmarked reserves	(175)	-	(175)	306	(64)	242	67
Transfers (to)/from earmarked reserves (note 4)	143	(143)	-	-	-	-	-
Increase/(decrease) in 2012/13	(32)	(143)	(175)	306	(64)	242	67
Balance as at 31st March 2013	270	630	900	908	(119)	789	1,689

2011/12	EMSOU reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU reserves
<i>Note</i>	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2012	271	686	957	682	(86)	596	1,553
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	69	-	69	-	-	-	69
Other comprehensive income & expenditure	-	-	-	-	-	-	-
Total comprehensive income & expenditure	69	-	69	-	-	-	69
Adjustments between accounting basis & funding basis under regulations	49	-	49	(80)	31	(49)	-
Net increase/(decrease) before transfers to/from earmarked reserves	118	-	118	(80)	31	(49)	69
Transfers (to)/from earmarked reserves (note 4)	(87)	87	-	-	-	-	-
Increase/(decrease) in 2012/13	31	87	118	(80)	31	(49)	69
Balance as at 31st March 2013	302	773	1,075	602	(55)	547	1,622

Balance Sheet

31 st March 2012 £000		Note	31 st March 2013 £000
	Non-Current Assets		
20	Intangible assets	1	9
583	Property, Plant & Equipment	1	899
603	Total Long Term Assets		908
	Current Assets		
1,173	Short Term Debtors	2	1,336
27	Payments in advance		29
1,016	Cash & Cash Equivalents		1,412
	Current Liabilities		
(963)	Short Term Creditors	3	(1,613)
(179)	Receipt in Advance		(264)
(55)	Provision for accumulated absences		(119)
1,019	Net current assets		781
1,622	Net assets / (Liabilities)		1,689
1,074	Usable Reserves	4	900
548	Unusable Reserves	5	789
1,622	Total Reserves		1,689

Notes to the financial statements

1. Non-current assets

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Vehicle valuation is based on the acquisition cost (plus the value of any work carried out on the asset before it goes into service), less the depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

Property, plant and equipment

2012/13	land and buildings £000	vehicles £000	equipment £000	Total £000
Cost or valuation				
At 1 April 2012	-	1,222	1,536	2,758
Additions	-	124	470	594
Revaluations / impairments	-	-	-	-
Disposals	-	(50)	-	(50)
At 31 March 2013	-	1,296	2,006	3,302
Accumulated depreciation and impairment				
At 1 April 2012	-	(809)	(1,366)	(2,175)
Depreciation charge	-	(114)	(159)	(273)
Disposals	-	45	-	45
Adjustment due to revaluations	-	-	-	-
At 31 March 2013	-	(878)	(1,525)	(2,403)
Net book value				
at 31 March 2013	-	418	481	899
at 31 March 2012	-	413	170	583

2011/12	land and buildings £000	vehicles £000	equipment £000	Total £000
Cost or valuation				
At 1 April 2011	-	1,083	1,532	2,615
Additions	-	169	76	245
Revaluations / impairments	-	-	-	-
Disposals	-	(30)	(72)	(102)
At 31 March 2012	-	1,222	1,536	2,758
Accumulated depreciation and impairment				
At 1 April 2011	-	(713)	(1,251)	(1,964)
Depreciation charge	-	(123)	(154)	(277)
Disposals	-	27	39	66
Adjustment due to revaluations	-	-	-	-
At 31 March 2012	-	(809)	(1,366)	(2,175)
Net book value				
at 31 March 2012	-	413	170	583
at 31 March 2011	-	369	281	650

Intangible assets

2011/12 £000	software	2012/13 £000
Cost or valuation		
75	At 1 April	75
-	Additions	-
-	Revaluations / impairments	-
-	Disposals	-
-	Transfers	-
75	At 31 March	75
Accumulated depreciation and impairment		
(43)	At 1 April	(55)
(12)	Depreciation charge	(11)
-	Disposals	-
-	Adjustment due to revaluations	-
-	Adjustment in respect of transfers	-
(55)	At 31 March	(66)
Net book value		
	at 31 March 2013	9
20	at 31 March 2012	

2. Debtors

31st March 2012 £000		31st March 2013 £000
636	Central Government Bodies	801
537	Other Local Authorities	515
-	Sundry Debtors	20
1,173		1,336

3. Creditors

31st March 2012 £000		31st March 2013 £000
(26)	Central Government Bodies	(49)
(830)	Other Local Authorities	(1,106)
(107)	Sundry Creditors	(458)
(963)		(1,613)

4. Transfers to/from usable reserves

	Balance at 1 April 2011 £000	transfer s out 2011/12 £000	transfer s in 2011/12 £000	Balance at 31 March 2012 £000	transfer s out 2012/13 £000	transfers in 2012/13 £000	Balance at 31 March 2013 £000
Reserve name							
General fund	271	-	31	302	(32)	-	270
Titan House reserve	23	(23)	-	-	-	-	-
Titan House contingency	-	-	-	-	-	-	-
Communications	100	-	-	100	(81)	68	87
OCGM project 3000	-	-	111	111	(111)	-	-
Future capital purchases	63	(1)	-	62	(62)	11	11
Asset replacement	500	-	-	500	(318)	350	532
Grand total	957	(24)	142	1,075	(604)	429	900

General fund

To meet unbudgeted revenue expenditure.

Titan House reserve

This represents funds set a side from previous years to finance the capital expenditure relating to Titan House.

Titan House contingency

This reserve is to cover any unforeseen costs associated with the fit-out of the building.

Communications

This provides an element of future funding for the replacement of Airwave equipment and un-insured losses of technical equipment.

OCGM project 3000

Funding provided by the Home Office to support operational activity against high risk organised crime groups.

Asset replacement

This is to fund the cost of replacement vehicles and technical assets

5. Unusable reserves

Capital adjustment account

2011/12 £000		2012/13 £000
(289)	Depreciation/amortisation charge in year	(284)
(34)	Revenue Expenditure funded from Capital under Statute (REFCUS)	-
(36)	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	(5)
(359)	Net amount written-out of the cost of non-current assets consumed in the year	(289)
239	Capital expenditure charged against the general fund	595
-	Use of the capital receipts reserve to finance new capital expenditure	-
40	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	-
(80)	Total movement during the year	306
682	Opening balance at 1 st April	602
602	Closing balance at 31st March	908

Accumulated absences account

2011/12 £000		2012/13 £000
(86)	Balance at 1st April	(55)
86	Reversal of opening accrual made at the end of the preceding year	55
(55)	Amounts accrued at the end of the current year	(119)
31	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	(64)
(55)	Balance at 31st March	(119)

The East Midlands Special Operations Unit - Major Crime (EMSOU MC) was formed on the 12th September 2011 and is responsible for undertaking major crime investigations across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. The OPCC/Group acts as the lead authority. During 2012/13, the OPCC/Group contributed £342k (2011/12 - £166k) to EMSOU MC.

Comprehensive Income & Expenditure Statement

- *presented in a subjective analysis format*

2011/12 Outturn n £000		2012/13 Outturn £000
771	Employees' expenses	1,289
-	Premises	1
4	Transport	23
2	Supplies and services	19
-	Agency & contracted services	-
-	Revenue expenditure financed from capital resources	-
-	Depreciation & amortisation	-
777	Gross operating expenditure	1,332
-	Other income	-
-	Profit/loss on disposal of non-current assets	-
777	Amount to be met by Partners	1,332
(719)	Contributions from partners	(1,320)
-	External grants	-
58	(Surplus) / deficit on provision of services	12
-	(Surplus) / deficit on revaluation on non-current assets	-
-	Other comprehensive income and expenditure	-
58	Total comprehensive income and expenditure	12

Statement of Movement in Reserves

Note: this Statement is presented in a format relevant to EMSOUMC – in the consolidation with the OPCC/Group there would be a transfer to reserves showing below equal to the “EMSOUMC reserve increase/decrease” figure

	EMSOUMC Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOUMC Reserve
2012/13							
<i>Note</i>	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2012	-	-	-	-	(58)	(58)	(58)
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	(12)	-	(12)	-	-	-	(12)
Other comprehensive income & expenditure	-	-	-	-	-	-	-
Total comprehensive income & expenditure	(12)	-	(12)	-	-	-	(12)
Adjustments between accounting basis & funding basis under regulations (note 3)	12	-	12	-	(12)	(12)	-
Net increase/(decrease) before transfers to/from earmarked reserves	-	-	-	-	(12)	(12)	(12)
Transfers (to)/from earmarked reserves	-	-	-	-	-	-	-
Increase/(decrease) in 2012/13	-	-	-	-	(12)	(12)	(12)
Balance as at 31st March 2013	-	-	-	-	(70)	(70)	(70)

	EMSOUMC Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOUMC Reserve
2011/12							
<i>Note</i>	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2011	-	-	-	-	-	-	-
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	(58)	-	(58)	-	-	-	(58)
Other comprehensive income & expenditure	-	-	-	-	-	-	-
Total comprehensive income & expenditure	(58)	-	(58)	-	-	-	(58)
Adjustments between accounting basis & funding basis under regulations (note 3)	58	-	58	-	(58)	(58)	-
Net increase/(decrease) before transfers to/from earmarked reserves	-	-	-	-	(58)	(58)	(58)
Transfers (to)/from earmarked reserves	-	-	-	-	-	-	-
Increase/(decrease) in 2011/12	-	-	-	-	(58)	(58)	(58)
Balance as at 31st March 2012	-	-	-	-	(58)	(58)	(58)

Balance Sheet

31 st March 2012 £000		Note	31 st March 2013 £000
	Non-current assets		
-	Intangible assets		-
-	Property, plant & equipment		-
-	Total long term assets		-
	Current assets		
719	Short term debtors	1	104
-	Cash & cash equivalents		245
	Current liabilities		
(608)	Cash & cash equivalents		-
(111)	Short term creditors	2	(349)
-	Receipt in advance		-
(58)	Provision for accumulated absences		(70)
(58)	Net current assets		(70)
(58)	Net assets / (liabilities)		(70)
-	Usable reserves		-
(58)	Unusable reserves	3	(70)
(58)	Total reserves		(70)

Notes to the financial statements

1. Debtors

31 st March 2012 £000		31 st March 2013 £000
-	Central Government Bodies	-
719	Other Local Authorities	104
-	Sundry Debtors	-
719		104

2. Creditors

31 st March 2012 £000		31 st March 2013 £000
(37)	Central Government Bodies	(8)
(4)	Other Local Authorities	(336)
(70)	Salaries and overtime	(5)
-	Sundry Creditors	
(111)		(349)

3. Unusable reserves

Accumulated absences account

2011/12	2012/13
The OPCC for Leicestershire	100

Jointly Controlled Operations**EMSOU – Major Crime**

£000		£000
-	Balance at 1st April	(58)
-	Reversal of opening accrual made at the end of the preceding year	58
(58)	Amounts accrued at the end of the current year	(70)
(58)	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	(12)
(58)	Balance at 31st March	(70)

Jointly Controlled Operations East Midlands Technical Surveillance Unit

The East Midlands Technical Surveillance Unit (EMTSU) was formed on the 1st July 2011 and is responsible for undertaking special operations in support of EMSOU across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. Derbyshire Police acts as the lead authority. During 2012/13, the OPCC/Group contributed £531k (2011/12 - £362k) to EMTSU.

Comprehensive Income & Expenditure Statement

- *presented in a subjective analysis format*

2011/12 Outturn £000		2012/13 Outturn £000
1,187	Employees' expenses	1,571
-	Premises	25
2	Transport	35
185	Supplies and services	199
-	Agency & contracted services	-
-	Revenue expenditure financed from capital resources	-
-	Depreciation & amortisation	15
1,374	Gross operating expenditure	1,845
(51)	Other income	(7)
-	Profit/loss on disposal of non-current assets	-
1,323	Amount to be met by Partners	1,838
(1,553)	Contributions from partners	(2,049)
-	External grants	-
(230)	(Surplus) / deficit on provision of services	(211)
-	(Surplus) / deficit on revaluation on non-current assets	-
-	Other comprehensive income and expenditure	-
(230)	Total comprehensive income and expenditure	(211)

Statement of Movement in Reserves

Note: this Statement is presented in a format relevant to EMTSU – in the consolidation with the OPCC/Group there would be a transfer to reserves showing below equal to the “EMTSU reserve increase/decrease” figure

2012/13	EMTSU reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total Unusable Reserves	Total EMTSU Reserves
<i>Note</i>	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2012	-	170	170	79	(19)	60	230
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	211	-	211	-	-	-	211
Other comprehensive income & expenditure	-	-	-	-	-	-	-
Total comprehensive income & expenditure	211	-	211	-	-	-	211
Adjustments between accounting basis & funding basis under regulations (note 3)	(198)	-	(198)	203	(5)	198	-
Net increase/(decrease) before transfers to/from earmarked reserves	13	-	13	203	(5)	198	211
Transfers (to)/from earmarked reserves (note 4)	(13)	13	-	-	-	-	-
Increase/(decrease) in 2012/13	-	13	13	203	(5)	198	211
Balance as at 31st March 2013	-	183	183	282	(24)	258	441

2011/12	EMTSU reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total Unusable Reserves	Total EMTSU Reserves
<i>Note</i>	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2011	-	-	-	-	-	-	-
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	230	-	230	-	-	-	230
Other comprehensive income & expenditure	-	-	-	-	-	-	-
Total comprehensive income & expenditure	230	-	230	-	-	-	230
Adjustments between accounting basis & funding basis under regulations (note 3)	(60)	-	(60)	79	(19)	60	-
Net increase/(decrease) before transfers to/from earmarked reserves	170	-	170	79	(19)	60	230
Transfers (to)/from earmarked reserves (note 4)	(170)	170	-	-	-	-	-
Increase/(decrease) in 2011/12	-	170	170	79	(19)	60	230
Balance as at 31st March 2012	-	170	170	79	(19)	60	230

Balance Sheet

31 st March 2012 £000		Note	31 st March 2013 £000
	Non-Current Assets		
-	Intangible assets	1	-
79	Property, Plant & Equipment	1	282
79	Total Long Term Assets		282
	Current Assets		
-	Short Term Debtors	2	-
207	Cash & Cash Equivalents		200
	Current Liabilities		
(37)	Short Term Creditors	3	(17)
-	Receipt in Advance		-
(19)	Provision for accumulated absences		(24)
151	Net current assets		159
230	Net assets / (Liabilities)		441
	Reserves		
170	Usable Reserves	4	183
60	Unusable Reserves	5	258
230	Total Reserves		441

Notes to the financial statements

1. Non-current assets

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Vehicle valuation is based on the acquisition cost (plus the value of any work carried out on the asset before it goes into service), less the depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

Property, plant and equipment

2012/13	land and buildings £000	vehicles £000	equipment £000	Total £000
Cost or valuation				
At 1 April 2012	-	17	62	79
Additions	-	32	186	218
Revaluations / impairments	-	-	-	-
Disposals	-	-	-	-
At 31 March 2013	-	49	248	297
Accumulated depreciation and impairment				
At 1 April 2012	-	-	-	-
Depreciation charge	-	(3)	(12)	(15)
Disposals	-	-	-	-
Adjustment due to revaluations	-	-	-	-
At 31 March 2013	-	(3)	(12)	(15)
Net book value				
at 31 March 2013	-	46	236	282
at 31 March 2012	-	17	62	79

Jointly Controlled Operations East Midlands Technical Surveillance Unit

2011/12	land and buildings £000	vehicles £000	equipment £000	Total £000
Cost or valuation				
At 1 April 2011	-	-	-	-
Additions	-	17	62	79
Revaluations / impairments	-	-	-	-
Disposals	-	-	-	-
At 31 March 2012	-	17	62	79
Accumulated depreciation and impairment				
At 1 April 2011	-	-	-	-
Depreciation charge	-	-	-	-
Disposals	-	-	-	-
Adjustment due to revaluations	-	-	-	-
At 31 March 2012	-	-	-	-
Net book value				
at 31 March 2012	-	17	62	79
at 31 March 2011	-	-	-	-

2. Debtors

31 st March 2012 £000		31 st March 2013 £000
-	Central Government Bodies	-
-	Other Local Authorities	-
-	Sundry Debtors	-
-		-

3. Creditors

31 st March 2012 £000		31 st March 2013 £000
-	Central Government Bodies	-
-	Other Local Authorities	-
(36)	Sundry Debtors	(11)
(1)	Salaries & Overtime Payments	(6)
(37)		(17)

4. Transfers to/from usable reserves

	Balance at 1 April 2011	transfer s out 2011/12	transfer s in 2012/12	Balance at 31 March 2012	transfer s out 2012/13	transfer s in 2012/13	Balance at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
Reserve name							
Carry-forward	-	-	93	93	-	-	93
Vehicle replacement	-	-	77	77	-	13	90
Grand total	-	-	170	170	-	13	183

Carry- forward

To meet unbudgeted revenue expenditure.

Asset replacement

This is to fund the cost of replacement vehicles and technical assets

5. Unusable reserves

Capital adjustment account

2011/12 £000		2012/13 £000
-	Depreciation/amortisation charge in year	(15)
-	Amounts transferred from revaluation reserve in respect of depreciation/amortisation	
-	Transfer from Comprehensive Income & Expenditure Statement in respect of non-current asset revaluations	-
-	Revaluation on non-current assets held for sale	-
-	Revenue Expenditure funded from Capital under Statute (REFCUS)	-
-	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	-
-	Net amount written-out of the cost of non-current assets consumed in the year	(15)
79	Capital expenditure charged against the general fund	218
-	Use of the capital receipts reserve to finance new capital expenditure	-
-	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	-
-	Application of grants to capital financing from the capital grants unapplied account	-
-	Revenue provision (including MRP)	-
-	Voluntary revenue provision for capital financing	-
-	Movements in the market value of investment properties charged to the Comprehensive Income & Expenditure Statement	-
79	Total movement during the year	203
-	Opening balance at 1 st April	79
79	Closing balance at 31st March	282

Jointly Controlled Operations East Midlands Technical Surveillance Unit

Accumulated absences account

2011/12 £000		2012/13 £000
-	Balance at 1st April	(19)
-	Reversal of opening accrual made at the end of the preceding year	19
(19)	Amounts accrued at the end of the current year	(24)
(19)	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	(5)
(19)	Balance at 31st March	(24)

Jointly Controlled Operations East Midlands Collaborative HR Service – Learning & Development

The East Midlands Collaborative HR Service – Learning & Development (EMCHRS L&D) was formed on the 1st April 2012 and is responsible for delivering Learning & Development Services across Leicestershire, Nottinghamshire, Derbyshire, and Northamptonshire. The OPCC/Group acts as the lead authority. During 2012/13, the OPCC/Group contributed £726k (2011/12 - £0k) to EMCHRS L&D.

Comprehensive Income & Expenditure Statement

- *presented in a subjective analysis format*

	2012/13 Outturn £000
Employees' expenses	2,382
Premises	-
Transport	26
Supplies and services	195
Agency & contracted services	-
Revenue expenditure financed from capital resources	-
Depreciation & amortisation	-
Gross operating expenditure	2,603
Other income	(75)
Profit/loss on disposal of non-current assets	-
Amount to be met by Partners	2,528
Contributions from partners	(2,501)
External grants	-
(Surplus) / deficit on provision of services	27
(Surplus) / deficit on revaluation on non-current assets	-
Other comprehensive income and expenditure	-
Total comprehensive income and expenditure	27

Statement of Movement in Reserves

2012/13	EMSOU-L&D Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU-L&D Reserve
<i>Note</i>	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2012	-	-	-	-	-	-	-
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	(27)	-	(27)	-	-	-	(27)
Other comprehensive income & expenditure	-	-	-	-	-	-	-
Total comprehensive income & expenditure	(27)	-	(27)	-	-	-	(27)
Adjustments between accounting basis & funding basis under regulations (note 3)	27	-	27	-	(27)	(27)	-
Net increase/(decrease) before transfers to/from earmarked reserves	-	-	-	-	(27)	(27)	(27)
Transfers (to)/from earmarked reserves	-	-	-	-	-	-	-
Increase/(decrease) in 2012/13	-	-	-	-	(27)	(27)	(27)
Balance as at 31st March 2013	-	-	-	-	(27)	(27)	(27)

Balance Sheet

	Note	31 st March 2013 £000
Non-current assets		
Intangible assets		-
Property, plant & equipment		-
Total long term assets		-
Current assets		
Short term debtors	1	-
Cash & cash equivalents		782
Current liabilities		
Cash & cash equivalents		-
Short term creditors	2	(706)
Receipt in advance		(76)
Provision for accumulated absences		(27)
Net current assets		(27)
Net assets / (liabilities)		(27)
Usable reserves		-
Unusable reserves	3	(27)

Total reserves		(27)
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Notes to the financial statements

1. Debtors

	31st March 2013 £000
Central Government Bodies	-
Other Local Authorities	-
Sundry Debtors	-
	-

2. Creditors

	31st March 2013 £000
Central Government Bodies	(7)
Other Local Authorities	(663)
Salaries and overtime	(21)
Sundry Creditors	(15)
	(706)

3. Unusable reserves

Accumulated absences account

	2012/13 £000
Balance at 1st April	-
Reversal of opening accrual made at the end of the preceding year	-
Amounts accrued at the end of the current year	(27)
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	(27)
Balance at 31st March	(27)

Jointly Controlled Operations East Midlands Collaborative HR Service - Occupational Health Unit

The East Midlands Collaborative HR Service – Occupational Health Unit (EMCHRS OHU) was formed on the 1st April 2012 and is responsible for delivering Occupational Health Services across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. The OPCC/Group acts as the lead authority. During 2012/13, the OPCC/Group contributed £423k (2011/12 - £0k) to EMCHRS OHU.

Comprehensive Income & Expenditure Statement

- *presented in a subjective analysis format*

	2012/13 Outturn £000
Employees' expenses	882
Premises	-
Transport	7
Supplies and services	837
Agency & contracted services	-
Revenue expenditure financed from capital resources	-
Depreciation & amortisation	-
Gross operating expenditure	1,726
Other income	-
Profit/loss on disposal of non-current assets	-
Amount to be met by Partners	1,726
Contributions from partners	(1,719)
External grants	-
(Surplus) / deficit on provision of services	7
(Surplus) / deficit on revaluation on non-current assets	-
Other comprehensive income and expenditure	-
Total comprehensive income and expenditure	7

Statement of Movement in Reserves

2012/13	EMSOU-OHU Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU-OHU Reserve
<i>Note</i>	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2012	-	-	-	-	-	-	-
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	(7)	-	(7)	-	-	-	(7)
Other comprehensive income & expenditure	-	-	-	-	-	-	-
Total comprehensive income & expenditure	(7)	-	(7)	-	-	-	(7)
Adjustments between accounting basis & funding basis under regulations (note 3)	7	-	7	-	(7)	(7)	-
Net increase/(decrease) before transfers to/from earmarked reserves	-	-	-	-	(7)	(7)	(7)
Transfers (to)/from earmarked reserves	-	-	-	-	-	-	-
Increase/(decrease) in 2012/13	-	-	-	-	(7)	(7)	(7)
Balance as at 31st March 2013	-	-	-	-	(7)	(7)	(7)

Balance Sheet

	Note	31 st March 2013 £000
Non-current assets		
Intangible assets		-
Property, plant & equipment		-
Total long term assets		
Current assets		
Short term debtors	1	90
Cash & cash equivalents		120
Current liabilities		
Cash & cash equivalents		-
Short term creditors	2	(210)
Receipt in advance		-
Provision for accumulated absences		(7)
Net current assets		(7)
Net assets / (liabilities)		(7)
Usable reserves		-
Unusable reserves	3	(7)

Total reserves		(7)

Notes to the financial statements

1. Debtors

	31st March 2013 £000
Central Government Bodies	-
Other Local Authorities	90
Sundry Debtors	-
	90

2. Creditors

	31st March 2013 £000
Central Government Bodies	-
Other Local Authorities	(132)
Salary & Overtime Payments	(3)
Sundry Creditors	(75)
	(210)

3. Unusable reserves

Accumulated absences account

	2012/13 £000
Balance at 1st April	-
Reversal of opening accrual made at the end of the preceding year	-
Amounts accrued at the end of the current year	(7)
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	(7)
Balance at 31st March	(7)

Jointly Controlled Operations East Midlands Legal Services Unit

The East Midlands Legal Services Unit (EMLSU) was formed on 1st August 2012 and provides legal services across Leicestershire, Nottinghamshire, Derbyshire and Northamptonshire. The OPCC/Group acts as the lead authority. During 2012/13, the OPCC/Group contributed £99k (2011/12 - £0k) to EMLSU.

Comprehensive Income & Expenditure Statement

- *presented in a subjective analysis format*

	2012/13 Outturn £000
Employees' expenses	731
Premises	-
Transport	20
Supplies and services	99
Agency & contracted services	-
Revenue expenditure financed from capital resources	-
Depreciation & amortisation	-
Gross operating expenditure	850
Other income	(103)
Profit/loss on disposal of non-current assets	-
Amount to be met by Partners	747
Contributions from partners	(737)
External grants	-
(Surplus) / deficit on provision of services	10
(Surplus) / deficit on revaluation on non-current assets	-
Other comprehensive income and expenditure	-
Total comprehensive income and expenditure	10

Statement of Movement in Reserves

2012/13	EMSOU-OHU Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU-OHU Reserve
<i>Note</i>	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2012	-	-	-	-	-	-	-
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	(10)	-	(10)	-	-	-	(10)
Other comprehensive income & expenditure	-	-	-	-	-	-	-
Total comprehensive income & expenditure	(10)	-	(10)	-	-	-	(10)
Adjustments between accounting basis & funding basis under regulations (note 3)	10	-	10	-	(10)	(10)	-
Net increase/(decrease) before transfers to/from earmarked reserves	-	-	-	-	(10)	(10)	(10)
Transfers (to)/from earmarked reserves	-	-	-	-	-	-	-
Increase/(decrease) in 2012/13	-	-	-	-	(10)	(10)	(10)
Balance as at 31st March 2013	-	-	-	-	(10)	(10)	(10)

Balance Sheet

	Note	31 st March 2013 £000
Non-current assets		
Intangible assets		-
Property, plant & equipment		-
Total long term assets		-
Current assets		
Short term debtors	1	-
Cash & cash equivalents		4
Current liabilities		
Cash & cash equivalents		-
Short term creditors	2	(4)
Receipt in advance		-
Provision for accumulated absences		(10)
Net current assets		(10)
Net assets / (liabilities)		(10)
Usable reserves		-

Jointly Controlled Operations East Midlands Legal Services Unit

Unusable reserves	3	(10)
Total reserves		(10)

Notes to the financial statements

1. Debtors

	31st March 2013 £000
Central Government Bodies	-
Other Local Authorities	-
Sundry Debtors	-
	-

2. Creditors

	31st March 2013 £000
Central Government Bodies	-
Other Local Authorities	-
Sundry Creditors	(4)
	(4)

3. Unusable reserves

Accumulated absences account
The OPCC for Leicestershire

Jointly Controlled Operations East Midlands Legal Services Unit

	2012/13 £000
Balance at 1st April	-
Reversal of opening accrual made at the end of the preceding year	-
Amounts accrued at the end of the current year	(10)
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	(10)
Balance at 31st March	(10)

Introduction

During 2012/13 the full implications of the Police Reform and Social Responsibility Act 2011 were realised. Particularly, elections for the Police and Crime Commissioner took place in November 2012 and on 22 November the two corporations sole of the Office of the Police and Crime Commissioner and the Office of the Chief Constable were created. In the lead up to, and since, that date considerable focus has been placed on governance arrangements to ensure that the previous sound record of the Police Authority continued into the new regime. The paragraphs below describe some of that effort and focus during this unusual year.

1) Scope of Responsibility

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

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

The PCC has approved and adopted a Corporate Governance Framework, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Framework can be obtained from the Office of the Police and Crime Commissioner (OPCC), Leicestershire Police Headquarters, St Johns, Enderby, Leicester, LE19 2BX or on our website at www.leics.pcc.police.uk. This statement explains how the PCC has complied with the Framework and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of an annual governance statement.

2) The Purpose of the Governance Framework

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

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

The preceding governance framework, prevailing at the time of the 2011/12 accounts, was in place for the Police Authority until 21 November 2012, and then the Corporate Governance Framework was introduced for the period from 22 November 2012 (inauguration of the PCC) until 31 March 2013 and up to the date of approval of the statement of accounts. The latter document was and is consistent with the principles of the former document, but clearly reflects the revised governance arrangements following the election of the PCC.

3) The Governance Framework

The Police Authority had previously put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance was both adequate and effective in practice. These included:

- A Code of Corporate Governance;
- A risk management strategy;
- An Annual Governance Statement produced by the OCC;
- Responsibility given to the Treasurer/Chief Finance Officer and Director of Finance 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.

RSM Tenon, the internal auditors, have been given the responsibility to review independently the status of formerly the Authority's and now the PCC's internal control arrangements. RSM Tenon routinely report to and attend the Joint Audit, Risk and Assurance Panel (formerly the Audit Committee) to provide assurance on the adequacy and effectiveness of internal control.

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 thorough Police and Crime Plan (and predecessor Policing Plan) that seeks to focus activity on the issues of highest importance as evidenced by the extensive research undertaken;
- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan;
- Comprehensive budgeting systems that seek to align resources with priorities;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action;
- Effective risk management strategies, registers, action plans and tactics;
- A revised approach to engagement with partners and to commissioning appropriate outcomes through third party providers;
- Engagement in value for money benchmarking such as is conducted by Her Majesty's Inspectorate of Constabulary (HMIC);
- A well researched and coherent Corporate Governance Framework that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriate statutory officers within both the OPCC and OCC, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- Codes of Conduct and standards of behaviour clearly set out in governance documents and the former signed by the PCC;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC.

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.

2012/13 was an exceptional year in which the governance regime significantly changed. The election of the PCC, the creation of two corporations sole and of the JARAP, plus the redrafting of the Corporate Governance Framework are amongst the most impactful changes. These changes have in themselves necessitated a considerable focus on the governance regime to ensure that it is fit for purpose in the new operating environment. The previous Audit and Risk Committee and the interim JARAP (comprised of the independently appointed members of the previous Committee) were closely involved in overseeing the preparation for the changes. In particular an interim review of audit and risk as at 20 November was completed as part of the handover to the PCC. That review drew upon recent audit documents including the annual report of the Audit and Risk Committee 2011/12, the draft internal audit half year report and the Annual Audit Letter 2011/12 (released October 2012).

The RSM Tenon internal audit half year report covered the period 1 April 2012 to 1 November 2012. The opinion was intended to assist the Audit and Risk Committee by providing an independent assurance as to the control environment at the point of transfer to the PCC, thus highlighting any risk or control priorities that may need to be addressed early on by the PCC. RSM Tenon caveated the opinion as it was only based on their work in the year to that date. In summary, RSM Tenon's opinion of the adequacy and effectiveness of Leicestershire Police Authority's arrangements at the point of handover were:

Governance: The Authority had adequate and effective governance processes in place.

Risk Management: The Authority had adequate risk management arrangements in place. However RSM Tenon identified a need to ensure all controls are clearly documented and that assurances are received and documented to confirm that these controls are operating as required.

Control: The Authority generally had adequate and effective control arrangements in place, but RSM Tenon identified that little progress had been made in implementing previous recommendations.

Within that report reference is made to the audit of 11 areas of key financial controls. Those audits produced only 3 medium priority recommendations in the Purchasing and Creditor Management and the Financial Management and Information Processes areas. A further 9 low priority recommendations were made.

External audit (PricewaterhouseCoopers – PWC) issued their Annual Audit Letter for 2011/12 in October 2012. That Letter was intended to summarise the results of their 2011/12 audit. It noted that:

- an unqualified audit opinion on the Statement of Accounts was issued on 28 September 2012;
- the Finance Team met the agreed deadlines for production of the financial statements and produced a quality output which highlights that “the Authority’s accounting performance remains strong and is to be commended”;
- the ‘going-concern’ assumption is appropriate;
- there were “no significant matters that we needed to bring to your [the Authority’s] attention” arising from their review of the arrangements for internal control or of the Annual Governance Statement;
- an unqualified value for money conclusion should be issued on the adequacy of the Authority’s arrangements for ensuring economy, efficiency and effectiveness in its use of resources on 28 September 2012. The work to arrive at this assessment focussed on the arrangements around the transfer to the Police and Crime Commissioner and the medium term financial plans and savings targets.

The interim JARAP reviewed and commented upon the recently completed Corporate Governance Framework at its meeting in December, and both internal and external audit have reviewed and commented upon the Framework. The final challenge was through Legal Services, which resulted in some changes to the document to ensure that it aligned with all relevant legislation.

The Audit and Risk Committee (prior to 21 November 2012) also continued to monitor progress on the Assurance Framework, with regular reports from portfolio members.

Internal and external audit continued with their respective audit plans, with a particular focus on the transition arrangements. The interim JARAP continued to draw assurance from these reviews.

The interim JARAP was also involved in a workshop to assist in developing the risk register for the OPCC, and has subsequently followed the development through routine meetings. A risk action plan is being developed as is a risk assurance framework for both the OPCC and OCC.

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the JARAP, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions are outlined below.

6) Significant Governance Issues

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

Police and Crime Plan and Resources

The Police and Crime Plan has been produced following thorough research and consultation. The objectives are clear and the targets are demanding. However, the extended period of austerity across the public sector has produced an estimated funding gap over the medium term to 2016/17 of some £20m for the OPCC for Leicestershire. In addition, a review of the funding formula is likely to have as yet unpredictable distributional impacts. There is a danger that as the funding gap is closed, the ability of the Force to address the Plan objectives and targets is reduced.

Annual governance statement

In order to seek to mitigate the potential impact of budget reductions, a programme of work is in place that is producing a comprehensive suite of change options to create a Force that is fit for 2016/17 and beyond. The aim is to maintain performance against the Plan while managing with reduced resources.

The intention is to produce a revised Police and Crime Plan, incorporating a balanced medium term financial strategy (MTFS), by the end of September 2013. This revised document will show how the Plan can be delivered through implementing appropriate changes and utilising reserves and precept strategies.

Stage 2 Transfers

When the Police and Crime Commissioner took office on 22 November 2012, all police staff transferred from the employment of the Police Authority to the employment of the OPCC. This was known as Stage 1.

Stage 2 is the transfer of appropriate police staff from the employment of the OPCC to the OCC. This is a potentially worrying and disruptive process for staff. In addition, an inappropriate outcome could lead to the ineffective operations or limiting the potential for changes in the future.

A programme of work is underway, led by the OPCC Chief Executive and the OCC Director of Human Resources, which aims to ensure that an appropriate outcome is reached in accordance with Home Office deadlines.

The JARAP is new

All members of the JARAP are new to this role and to policing. While each is an experienced individual from a variety of backgrounds, there is a danger that the JARAP will be less effective in providing challenge and reassurance in its first few weeks.

A programme of induction work will be undertaken to ensure that the JARAP can be briefed for their role and given background information as soon as possible. This includes access to a briefing with other regional audit committees in September 2013.

The PCC is new

Following the PCC coming into office there has been an increase in demands on the role compared to those made of the Police Authority, which had 17 members. In addition there has been an increasing interest in matters around the PCC such as salaries, cost of the office, travel expenses, etc. There is a danger that the reputation of the OPCC and the PCC himself may be damaged if these matters are not handled effectively and with transparency.

The OPCC continues to strive to contain and reduce its costs in order to show that it is operating with the minimum level of resources required to be effective. Meanwhile, efforts are ongoing to proactively communicate with the public in general and with interest groups and individuals where appropriate. A communications and engagement plan is being developed to ensure that the PCC is able to fulfil the expectations of him in a structured and effective manner.

Partnerships and Commissioning

The PCC is operating in a new environment of commissioning services from others with grants made available from the Home Office and elsewhere (aggregated into the Community Safety Fund - CSF). These grants were previously made available to other agencies directly, so there has been some sensitivity as to how they will be allocated in future. In addition, working in partnership with other agencies is crucial to the successful delivery of the ambitions set out in the Police and Crime Plan. A well considered commissioning framework is essential if the CSF is to be used to deliver outcomes in line with the Plan objectives.

Considerable effort has been made to engage effectively with partners, to understand their aims and objectives and to recognise those and the partner contributions to delivery in the Plan. The proposals for effective commissioning are being developed to not only be clear in terms of desired outcomes, but also robust in terms of measurement. Early and clear engagement with partners and providers is being prepared to ensure that effective commissioning is put in place early in 2013/14.

Regional Collaboration

Annual governance statement

Both the OPCC and the OCC in Leicestershire are active supporters of regional collaboration on a range of support and front line functions. There is, of course, a requirement to ensure that these arrangements are governed appropriately and are delivering value for money. The Chief Finance Officers of the region are concerned that since the advent of PCCs and the changes to local governance frameworks, the rules and procedures for the region have become less clear.

In terms of value for money, regional PCCs have commissioned two pieces of work; one through the Regional Collaboration team on the medium term finances to identify efficiencies, and one through the HMIC to consider operational perspectives. On governance, the Regional Chief Finance Officers have set in place a review of governance to seek to set out a clear framework for the Regional Collaboration team to operate within.

National Developments

There are a number of national developments being proposed such as those around Probation services and victims' support. These may have a direct or oblique impact on OPCCs and OCCs through reducing opportunities for collaboration and partnership working and/or adding more responsibility without compensating resources.

The OPCC and OCC are seeking to gather information on the proposals and to input where and when invited to do so. When more firm proposals are known, then detailed reactions will be prepared.

Conclusion

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

Sir Clive Loader	Paul Stock	Peter Lewis
Police and Crime Commissioner	Chief Executive, OPCC	Chief Finance Officer, OPCC
Date		

ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION

I confirm that the relevant controls and procedures are in place to manage the following issues within Regional Collaboration for the East Midlands:

1. The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked.

DCC (East Midlands) monitors performance. This is reported to the East Midlands Police and Crime Commissioners (EMPCC) Board on a quarterly basis.

2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Compliance is monitored by management review, 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. Reviews of business processes have not identified significant and systemic control failures within the department. Where issues have been identified these are being addressed through defined management action plans.

An Audit of Key Financial Controls was undertaken during 2012, which gave reasonable assurance that the controls upon which the organisation relies upon are suitably designed, consistently applied and effectively managed.

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's Board which defines the expenditure targets for each area of policing within regional collaboration. Each force actively supports the budget allocation and sets its own precept accordingly.

Management reports showing costs against budget are provided monthly. Unexpected variances are investigated and explained, ready for reporting to quarterly Management Boards and the EMPCC's Board. The monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date.

4. Incorporating good governance arrangements in respect of partnerships.

The EMPCC'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 region to improve performance as well as saving money.

Signed



Peter Goodman
Deputy Chief Constable (East Midlands)

Independent auditors' report to the Office of the PCC for Leicestershire

Accounting policies

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

Accrual

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

Actuarial gain/loss

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

Actuarial Valuation

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

Amortisation

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

Budget

A statement of the OPCC/Group's plans in financial terms. A budget is prepared and approved by the OPCC/Group prior to the start of each financial year.

Capital expenditure

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

Capital financing requirement

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

Capital grant

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

Capital receipts

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

CIPFA

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

Commuted lump sums

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

Contingent liabilities

A contingent liability is either:

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

Corporate and democratic core

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

Creditors

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

Current service cost (Pensions)

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

Debtors

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

Deferred liabilities

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

Defined benefit scheme

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

Depreciation

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

Financial regulations

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

Financial year

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

Formula spending share

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

Impairment

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

Investment property

The OPCC for Leicestershire

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

Leasing

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

- (a) finance leases which transfer all of the risks and rewards of ownership of a non-current asset to the lessee and such assets are included within the non-current assets in the balance sheet.
- (b) operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the service revenue accounts.

Liquid resources

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

Minimum revenue provision

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

Net book value

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

Non-current assets

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

Non distributed costs

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

Past service cost (pensions)

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

Precept

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

Public Works Loan Board (PWLB)

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

Receipts and payments

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

Unusable reserves

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

Usable reserves

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

**The Office of the
Chief Constable
for Leicestershire**

Annual Financial Report

2012/13

Draft

	Page
Statement of Accounts	
<i>Core financial statements</i>	
• Comprehensive Income & Expenditure Statement	6
• Balance Sheet	7
• Statement of Movement in Reserves	8
• Cash flow Statement	10
Notes to the core financial statements	11
<i>Supplementary financial statements</i>	
• Pension fund account	37
Non audited information documents	
Explanatory foreword by the Chief Finance Officer	1
Statement of responsibilities	5
Annual governance statement	39
Audit opinion	46
Glossary of terms	47

Explanatory foreword by the Chief Finance Officer

These accounts set out the overall financial position of the Chief Constable (CC), who is responsible for the Leicestershire Police Service, for the year ended the 31st March 2013.

The accounts for 2012/13 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (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 the second to be 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

During 2012/13 significant changes in the way the police in England and Wales are governed and held accountable were introduced. On the 22nd November 2012 the Leicestershire Police Authority (LPA) was replaced with the Office of the Police and Crime Commissioner (OPCC). 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 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.

These are the first statutory accounts to be prepared under the new arrangements. For accounting purposes the OPCC and the OCC 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 2012/13 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 2012/13.

The Accounts also reflect the Government's intention to phase in the reforms over a number of years. On the 22nd November the assets, liabilities and reserves belonging to the LPA were directly transferred to the OPCC and during the first phase of transition have remained under the OPCC's control. Also under this phase the OPCC receives all income and funding and makes all payments for the Group from the OPCC Police Fund.

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:

Movement in Reserves Statement

This summarises the movements to and from the reserves for the year 2012/13. As the OCC does not manage any of these transactions no movements are shown.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

The value at the end of the reporting period (i.e. 31st March) of the assets, liabilities and reserves of the OCC are shown on the balance sheet. As the OCC does not own any assets, liabilities nor hold any reserves at the year end no balances are shown.

Cash flow statement

This statement shows the movement in cash and cash equivalents of the OCC during the reporting period. As the OCC does not undertake any of these transactions the statement does not show any figures.

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

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

Explanatory foreword

The purpose of this foreword is to offer interested parties an easily 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 is for the treasurer 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 its income and expenditure for that 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 2012/13

In December 2010, as part of the Comprehensive Spending Review (CSR) 2010, the Government announced a settlement for the two years 2011/12 to 2012/13. A flat rate **decrease** of 5.1% in 2011/12 and 6.7% in 2012/13 was applied. As in previous years the formula devised to allocate grant according to need was not fully implemented, with the result that the service has lost grant to which it is otherwise entitled under full application of the formula.

For 2012/13 the Government announced again its commitment to freeze Council Tax at the 2011/12 levels. In order to ensure this it offered to compensate authorities with a grant equivalent to a 3% precept increase in 2012/13 but only for 1 year for those who levied no increase.

As the grant was only offered for 1 year the Police Authority resolved to increase the Council Tax by 2.5% generating an additional £1.36 million of Council Tax Income and thereby reducing the deficits in future years.

A further £5m of net savings were removed from the 2012/13 budget as part of the “policing the future” savings programme.

The OPCC sets the annual budget for the OCC in consultation with the CC. A net annual revenue budget of £169.6m was set for the service as a whole, after planning to draw £3m from the OPCC reserves for 2012/13. £168.76m was managed by the CC with the remaining £0.84m relating to the costs of the OPCC.

Revenue spending

The OCC underspent its revenue budget by £3.838m, or 2.27%. This was attributable to:

- an underspend on police pay and allowances of £2.3m due an increased number of leavers, funded posts and reimbursement of mutual aid income in respect of the Olympics.
- an underspend on corporate budgets of £0.2m due a higher than anticipated number of ill health retirements, lower than budgeted expenditure on utilities and telecommunication and savings arising from decisions at the Change Board, offset by a range of investments in infrastructure and operational activities.
- a net underspend of £0.7m on delegated activities as a result of local management decisions to reduce overall expenditure.
- A reimbursement of £0.671m from the Home Office of unbudgeted costs in relation to a public order incident in February 2012

As the resources are consumed by the OPCC at the request of the OCC the revenue underspend occurs in the OPCC/Group accounts. The OPCC has transferred the uncommitted revenue underspend of £3.838m to the Budget Equalisation Reserve as a further contribution to bridging the estimated medium term funding gap of £20m in 2016/17 and to fund future investments in the Change Programme.

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.

The OPCC has invested £6.75m on improving the buildings stock, investing in information technology, operational equipment and the vehicle fleet during 2012/13. The capital projects undertaken included the finalisation of the Wigston and Hinckley Local Policing Units, commencement of the digitalisation of evidence IT project and investment in both the IT and telephone infrastructure

Explanatory foreword by the Chief Finance Officer

During 2012/13 properties at Bottesford and Ashby were disposed of as part of the Force's overall estates strategy. These were replaced with neighbourhood offices, where appropriate. A further property at Kilby was also disposed of during 2012/13.

Outlook for 2013/14

The OPCC approved the 2013/14 net revenue and capital budgets of £173.5m and £6m respectively. Formula grant reduced by 1.6% in 2013/14. The Government's commitment to freeze council tax continued. In order to ensure a council tax freeze it offered to compensate authorities who levied no increase an additional grant equivalent to a 1% precept increase in 2013/14. The OPCC accepted the grant and a precept of £173.87 for a Band D property was approved, an increase of 0% over the previous year.

The Chief Constable launched a change programme in 2012 with the stated objective of "*with our staff and partners, transform the way we protect our communities and deliver over £20m in (revenue) savings by 2016*". The programme is due to present a series of outline business cases (OBCs) by the end of June 2013. The intention is that these OBCs will, together, produce a comprehensive suite of change options to create a Force that is fit for 2016/17, and beyond, within the funding available.

At the same time, consultation will be ongoing on the priorities set out in the Police and Crime Plan with the clear intention that the two work strands are aligned; i.e. that the Force will be able to deliver the priorities set out in the Plan within the resources available. Therefore, the next iteration of the Plan, to be delivered in the summer of 2013, will show how it is intended to balance the budget over the medium term, and with an organisation that is sustainable financially and in operational delivery.

Paul Dawkins
Chief Finance Officer
June XX 2013

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 March 2013 has been prepared and was approved at the meeting of the OCC on XXth September 2013.

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:

- applied the accounting policies used by the OPCC/Group
- made judgements and estimates that are reasonable and prudent
- complied with the 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 March 2013.

Paul Dawkins
Chief Finance Officer
September XX 2013

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 income generated by the OPCC/Group is not transferred to the OCC. 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.

2011/12				2012/13		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£000	£000	£000	Note	£000	£000	£000
94,076	-	94,076	Local Policing	94,886	-	94,886
13,351	-	13,351	Dealing With The Public	13,044	-	13,044
14,783	-	14,783	Criminal Justice Arrangements	14,021	-	14,021
6,700	-	6,700	Road Policing	6,321	-	6,321
16,095	-	16,095	Specialist Operations	14,532	-	14,532
12,981	-	12,981	Intelligence	12,390	-	12,390
32,931	-	32,931	Investigations	36,511	-	36,511
5,292	-	5,292	Investigative Support	5,114	-	5,114
6,630	-	6,630	National Policing	5,836	-	5,836
73	-	73	Corporate Management	88	-	88
-	-	-	Non distributed costs – past service costs	12	-	12
139	-	139	Non distributed costs - curtailments	17	-	17
203,051	-	203,051	Resources consumed by the OCC	202,772	-	202,772
(203,051)	-	(203,051)	Intra-group Transfer	(202,772)	-	(202,772)
-	-	-	Cost of services	-	-	-
-	-	-	Other operating expenditure	-	-	-
-	-	-	Financing and investment income & expenditure	-	-	-
-	-	-	Taxation & non-specific grant income	-	-	-
-	-	-	(Surplus) or deficit on provision of services	-	-	-
-	-	-	(Surplus) / deficit on revaluation of non-current assets	-	-	-
-	-	-	Actuarial (gains) / losses on pension assets/liabilities	-	-	-
-	-	-	Grant received from the Home Office in respect of the pension fund account	-	-	-
-	-	-	Other comprehensive income & expenditure	-	-	-
-	-	-	Total comprehensive income & expenditure	-	-	-

Balance Sheet

Under the Corporate Governance Framework which sets out the financial interactions and affairs of the OPCC/Group, no assets, liabilities or reserves are held by the OCC. This arrangement is reflected in the zero balances shown below.

31 st March 2012 £000		Note	31 st March 2013 £000
	Non-current assets		
-	Intangible assets		-
-	Property, plant & equipment		-
-	Investment property		-
-			-
	Non-operational non-current assets		
-	Assets under construction		-
-			-
-	Long term debtors		-
-			-
-	Total long term assets		-
	Current assets		
-	Inventories		-
-	Short term debtors		-
-	Assets held for sale		-
-	Payments in advance		-
-	Short term investments		-
-	Cash & cash equivalents		-
-			-
	Current liabilities		
-	Short term creditors		-
-	Receipts in advance		-
-	Short term borrowing		-
-	Provisions		-
-	Accumulated absences		-
-			-
-	Net current assets		-
	Long term liabilities		
-	Long term borrowing		-
-	Deferred liabilities		-
-	Capital grants receipts in advance		-
-	Receipts in Advance		-
-	Liability related to defined benefit pension schemes		-
-			-
-	Net assets / (liabilities)		-
	Reserves		
-	Usable reserves		-
-	Unusable reserves		-
-	Total reserves		-

Re-certification

The unaudited accounts were issued on XX June 2013 and the audited accounts were authorised for issue on XX September 2013.

Statement of Movement in Reserves

The OCC does not hold any reserves (whether usable or unusable) and its Comprehensive Income & Expenditure Account has a zero grand total by virtue of the intra-group transfer between the OPCC and the OCC. There are therefore no transactions to disclose in the Statement of Movement in Reserves for the OCC.

2012/13	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OCC reserves
	£000	£000	£000	£000	£000	£000	£000
Balance as at 31st March 2012	-	-	-	-	-	-	-
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	-	-	-	-	-	-	-
Other comprehensive income & expenditure	-	-	-	-	-	-	-
Total comprehensive income & expenditure	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations	-	-	-	-	-	-	-
Net increase/(decrease) before transfers to/(from) earmarked reserves	-	-	-	-	-	-	-
Transfers (to)/from earmarked reserves	-	-	-	-	-	-	-
Increase/(decrease) in 2012/13	-	-	-	-	-	-	-
Balance as at 31st March 2013	-	-	-	-	-	-	-

	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OCC reserves
2011/12							
	£000	£000	£000	£000	£000	£000	£000
Balance as at 31st March 2011	-	-	-	-	-	-	-
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	-	-	-	-	-	-	-
Other comprehensive income & expenditure	-	-	-	-	-	-	-
Total comprehensive income & expenditure	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations	-	-	-	-	-	-	-
Net increase/(decrease) before transfers to/from earmarked reserves	-	-	-	-	-	-	-
Transfers (to)/from earmarked reserves	-	-	-	-	-	-	-
Increase/(decrease) in 2011/12	-	-	-	-	-	-	-
Balance as at 31st March 2012	-	-	-	-	-	-	-

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. There are therefore no cash transactions to disclose in the Cash Flow Statement.

2011/12 £000		Note	2012/13 £000
-	Net (surplus) or deficit on the provision of services		-
-	Adjustments to <i>net (surplus) or deficit on the provision of services</i> for non-cash movements		-
-	Adjustments for items included in the <i>net (surplus) or deficit on the provision of services</i> that are investing and financing activities		-
-	Net cash flows from operating activities		-
-	Investing activities		-
-	Financing activities		-
-	Net (increase) or decrease in cash and cash equivalents		-
-	Cash and cash equivalents at the beginning of the reporting period		-
-	Cash and cash equivalents at the end of the reporting period		-

Accounting changes caused by the Police Reform and Social Responsibility Act 2011

Two new bodies (“Corporations Sole”), the Police and Crime Commissioner for Leicestershire and the Chief Constable for Leicestershire, came into existence on 22nd November 2012 following the enactment of the Police Reform and Social Responsibility Act 2011.

The Police and Crime Commissioner is responsible for securing an efficient and effective police force whilst the Chief Constable is responsible for maintaining the Queen’s Peace and has operational direction and control over the force’s officers and staff.

The Financial Management Code of Practice for the Police Service of England & Wales (Jan 2012) clearly sets out that this change creates a Group structure and the expectation that Group Accounts will be required (para 7.1). The group is referred to as the “Office of the Police and Crime Commissioner for Leicestershire Group” (OPCC Group) and the two bodies within that group as “Office of the Police & Crime Commissioner for Leicestershire” (OPCC) and “Office of the Chief Constable for Leicestershire” (OCC) respectively.

The group and its individual bodies continue to be bound by the requirements of existing legislation/regulations related to its accounting and audit obligations – i.e. the Local Government Act 2003, the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011. Accounts for the group therefore need to be produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (“the Code”) and subject to audit.

In preparing the financial statements for 2012/13, the structural change falls outside of the definition of business combinations covered by the Code by virtue of the fact that the substance of the change is a transfer of the responsibilities of the outgoing Police Authority from one public sector body to another. The Code explains that merger accounting should be applied. In applying this group accounting approach, the Group has applied FRS 6 (Acquisition and Mergers) in preparing the financial statements as if the new structure had always been in existence. The Group (and its constituent bodies) have therefore provided full comparative figures for 2011/12.

The way in which the Group operates both in consolidation and as individual bodies is described and controlled by the locally agreed Corporate Governance Framework. The Framework sets out the overriding principle of the PCC having ownership of the assets and liabilities whilst being the contracting body that is legally responsible for all income and expenditure. However in referring directly to both the Chief Constable’s operational independence and “direction and control” of the Force it recognises that the Chief will have to consume resources in order to deliver the aims of the Policing Plan.

The substance of this arrangement has been reflected within these financial statements by applying several key principles:

- The Group, the OPCC and the OCC share and comply with a single set of accounting policies. These accounting policies are shown in full within both sets of financial statements
- All assets and liabilities (including reserves) were transferred on 22nd November 2012 and are the property or responsibility of the OPCC and therefore one combined Balance Sheet is presented to cover both the OPCC and Group
- The OPCC holds all cash for the Group and makes/receives all cash transactions on behalf of the Group therefore one combined Cashflow Statement is presented to cover both the OPCC and the Group. No cash transfers take place between the OPCC and the OCC
- All income is received by the OPCC on behalf of the Group
- Charges are made from the OPCC to the OCC in respect of the costs of those assets and resources which are utilised by the OCC in delivering the Policing Plan. These charges are equal to the “Cost of Services” on the Comprehensive Income and Expenditure Statement for the Group, excluding those elements of “Corporate and Democratic Core” which are considered to remain with the OPCC
- The charges made to the OCC include statutory accounting adjustments that are legitimately included within “Cost of Services” (i.e. Depreciation and Amortisation of non-current assets, Pension actuarial valuation adjustments and the accrual of costs related to Accumulated Absences). This inclusion is considered to best reflect the true cost of using the OPCC’s resources and hence the overall cost of delivering the Policing Plan

Notes to the core financial statements

- The charges made from the OPCC to the OCC are eliminated on consolidation into the Group Comprehensive Income and Expenditure Statement by way of an Intra-Group Transfer. This transfer and the charges that it eliminates in no way impairs or affects the overall financial position of the outwardly facing Group from the local tax-payers' perspective
- The OPCC/Group statements will feature two Comprehensive Income & Expenditure Statements, one for the OPCC which demonstrates the recharge of costs to the OCC and one for the Group which shows the consolidated position including the OCC
- The OCC's accounts will feature all four primary statements although all but the Comprehensive Income & Expenditure Statement will show a zero closing position
- The Chief Constable administers the Pension Fund Account and this memorandum account therefore appears in both the OCC's statements and the Group accounts

The following table demonstrates the movement through an intra-group account within the Balance Sheets of the Group and its constituent bodies during 2012/13. This transfer reflects the cost of resources consumed by the Chief Constable in delivering the policing plan as set by the Police & Crime Commissioner. From the table below it can be seen that there are no outstanding intra-group balances on the respective Balance Sheets at year-end. The figures for 2011/12 are provided for comparative purposes.

2011/12			Intra-Group Movements	2012/13		
OPCC	OCC	Group		OPCC	OCC	Group
£000	£000	£000		£000	£000	£000
-	-	-	Opening balance at 1st April	-	-	-
(203,051)	203,051	-	- OPCC's resources consumed by the OCC	(202,772)	202,772	-
203,051	(203,051)	-	- OPCC intra-group adjustment	202,772	(202,772)	-
-	-	-	Closing balance at 31st March	-	-	-

1. Officers' remuneration

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

2012/13	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Compensation for loss of office	Pension contributions	Total
		£	£	£	£		£	£
				note 5	note 6			
Constabulary								
Chief Constable	1	139,119	4,986	4,540	528	-	33,667	182,840
Deputy Chief Constable (commenced 7 May 2012)	2	103,356	3,493	4,060	112	-	25,012	136,033
Assistant Chief Constable								
Senior Police Officer A (Deceased 19 Oct 2012)	3	100,752	4,610	1,146	308	-	14,516	121,332
Senior Police Officer D		99,044	4,075	3,929	528	-	23,969	131,545
Senior Police Officer G (ceased 23 Jan 2013)	4	73,410	3,800	3,179	101	-	17,765	98,255
Senior Police Officer H (from 7 Jan 2013)	4	21,926	878	697	57	-	5,306	28,864
Finance Director		89,955	-	-	5,389	-	13,673	109,017
Director of Human Resources		89,955	-	-	5,402	-	13,673	109,030
		717,517	21,842	17,551	12,425	-	147,581	916,916

Note 1 – The annualised salary of the Chief Constable for Leicestershire is **£139,119** (01/09/2010).

Note 2 – The Deputy Chief Constable commenced on the 7th May 2012 on an annualised salary of **£114,771** (01/09/2010).

Note 3 – The salary of Senior Police Officer A includes £41k relating to accrued annual leave during the period 2010 to 2013.

Note 4 – Senior Police Officer H (annualised salary **£90,726**) replaced Senior Officer G on the 07/01/13 on temporary promotion. Senior Officer G reverted to their substantive rank of Chief Superintendent

Note 5 – 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 6 - Expense allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

Note 7 – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

2011/12	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Compensation for loss of office	Pension contributions	Total
		£	£	£	£		£	£
					Note 6			
Constabulary								
Chief Constable	1	139,119	4,351	18,293	528	-	33,667	195,958
Deputy Chief Constable (left 19 March 2012)	2	111,069	6,646	7,893	120	-	26,878	152,606
Assistant Chief Constable								
Senior Police Officer A		102,323	8,008	1,965	527	-	24,762	137,585
Senior Police Officer D		96,023	3,972	16,989	527	-	23,238	140,749
Senior Police Officer E (left 12 April 2011)	3	3,024	-	3,896	134	-	732	7,786
Senior Police Officer F (from 13/04/11 to 30/09/11)	4	42,339	-	1,437	1,687	-	10,246	55,709
Senior Police Officer G (from 01/11/11)	4	37,802	-	1,637	1,505	-	9,148	50,092
Finance Director		89,955	-	-	5,360	-	13,043	108,358
Director of Human Resources		89,955	-	-	5,390	-	13,043	108,388
		711,609	55,977	52,110	15,778	-	154,757	957,231

Note 1 – The annualised salary of the Chief Constable for Leicestershire is **£139,119** (01/09/2010).

Note 2 – The Deputy Chief Constable left on the 19th March 2012 on an annualised salary of **£114,771** (01/09/2010).

Note 3 – Temporary senior police officer E retired on the 12th April 2011, his annualised salary was **£93,753**, and was replaced by Senior Police Officer F on temporary promotion.

Note 4 – Senior Police Officer G (annualised salary **£90,726**) replaced Senior Officer F on the 01/11/11 on temporary promotion. Senior Officer F reverted to their substantive rank of Chief Superintendent

Note 5 – 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). Payments were also made to the Chief Constable and Senior Officer D to compensate them for the tax paid on their relocation allowances received in the previous year in accordance with the Police Authority's policy on Chief Officer relocation.

Note 6 - Expense allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

Note 7 – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

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	2011/12 number of employees	2012/13 number of employees
50,000 to 54,999	6	5
55,000 to 59,999	5	5
60,000 to 64,999	4	6
65,000 to 69,999	2	3
70,000 to 74,999	1	2
75,000 to 79,999	-	-
80,000 to 84,999	3	1
85,000 to 89,999	1	1
90,000 to 94,999	2	1
95,000 to 99,999	-	1
155,000 to 160,000	-	1

- the bandings only include the remuneration of employees and relevant police officers who have not been disclosed individually
- Two of the officers included in the figures above have been seconded to other organisations for the duration of 2012/13, their employment costs have been fully reimbursed.
- The OPCC is the lead employer for the following regional teams; East Midlands Special Operations Unit, East Midlands Collaborative Human Resources Service (EMCHRS) Learning & Development and Occupational Health and the Regional Collaboration Team, six 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 OPCC is the lead employer for the Air Support Consortium, two of the police staff employees above are pilots within the unit.

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 £	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	17	3	1	4	18	7	£147,332	£67,380
£20,001 - £40,000	1	-	-	-	1	-	£32,337	
£40,001 - £60,000	-	-	-	-	-	-	-	
£60,001 - £80,000	1	-	-	-	1	-	£62,425	
£80,001 - £100,000	-	1	-	-	-	1	-	£89,292
total	19	4	1	4	20	8	£242,094	£156,672

Note – The OPCC is the lead employer for the following regional teams; East Midlands Special Operations Unit, East Midlands Collaborative Human Resources Services (EMCHRS), Learning & Development and Occupational Health and the Regional Collaboration Team. Four of the police staff employees included in the table above worked in the regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.

2. Subjective Analysis

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.

2011/12		Note	2012/13
Outturn £000			Outturn £000
114,021	Police officer pay and allowances		112,046
41,459	Police staff pay and allowances		43,798
3,592	Police pensions		2,836
12,086	IAS 19 Current Cost Adjustment (pensions)		11,047
1,240	Other employees expenses		1,067
5,633	Premises		5,584
3,541	Transport		3,473
12,159	Supplies and services		12,957
3,836	Agency and contracted services		4,431
258	Revenue expenditure financed from capital resources (REFCUS)		382
5,087	Depreciation & amortisation charges		5,122
139	Non-distributed costs regarding pensions		29
203,051	Resources consumed by the OCC		202,772
(203,051)	Intra-group Transfer		(202,772)
-	Gross operating expenditure		-

3. 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 effective 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 & 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 & 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 OPCC and OCC participates in seven jointly controlled operations (JCO) with other neighbouring OPCC's/OCC/s. Further information can be seen within the accounting policies (note 11 section A23) and within the OPCC/Group accounts where the financial statements for each JCO are reproduced for the reader's information.

In addition to the above, the OPCC also has 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.

4. Amounts reported for resource allocation decisions

The financial performance of the Group is communicated in a different format to the chief operating decision makers (the PCC and Chief Constable) to that shown in these financial statements.

Performance is analysed internally by BCU (Basic Command Unit) and department and some budgets (for example police pay & allowances) are not devolved to those cost-centres.

The Group does not report its financial performance internally on a subjective basis to the chief operating decision makers, rather it is reported on the basis of net expenditure against budget.

No charges are made to budgets in respect of capital accounting (i.e. depreciation, revaluations, impairment losses and amortisation) although capital expenditure is charged to revenue in the form of a *revenue contribution to capital*.

The cost of retirement benefits is based on cash flows in the year (i.e. payment of employer's contributions) rather than the current service cost approach advocated by IAS 19.

On the following pages is a reproduction of the Group's outturn reports for 2011/12 and 2012/13 together with a reconciliation of the net expenditure figure to the total comprehensive income & expenditure figure shown at the foot of the Comprehensive Income & Expenditure Statement.

It should be noted that financial performance is not reported separately for the activities of the OCC and the OPCC – rather the costs of the OPCC are shown as a separate line ("The Office of the PCC" on the following reports) on the Group report.

A table is provided at the end of this note which shows how the intra-group transfer between the OPCC and the OCC can be calculated from the revenue outturn. No income is transferred to the OCC by the OPCC and hence an adjustment is shown for those amounts.

Notes to the core financial statements

Revenue Outturn 2012/13

	a	b	c	d	e	f	g
	Revised Budget	Provisional Outturn	Year-End Commitments / Purchase Orders	Submitted Business Cases	Balance	February Forecast	Movement
	£000	£000	£000	£000	(b+c+d-a) £000	£000	(e-f) £000
DELEGATED BUDGETS							
Basic Command Units							
Counties	3,084	3,076	8	-	-	-	-
City	2,554	2,537	6	-	(11)	-	(11)
Sub Total	5,638	5,613	14	-	(11)	-	(11)
Delivering Justice Directorate							
Delivering Justice Command	757	903	44	-	190	195	(5)
Criminal Justice	6,101	5,831	10	-	(260)	(274)	14
Safeguarding	2,883	2,873	-	-	(10)	(33)	23
St Bernard's, Juniper Lodge	67	67	-	-	-	-	-
MAPPAs	34	34	-	-	-	-	-
Forensic Services	3,991	3,829	72	-	(90)	(183)	93
Regional MIT (Leicestershire)	750	742	-	-	(8)	31	(39)
Sub Total	14,583	14,279	126	-	(178)	(264)	86
Tasking Directorate							
Contact Management Centre	7,323	7,178	54	-	(91)	(19)	(72)
Operations	2,655	2,536	119	-	-	(30)	30
Specials	187	205	-	-	18	9	9
Force Intelligence Bureau	3,328	3,245	81	-	(2)	-	(2)
Sub Total	13,493	13,164	254	-	(75)	(40)	(35)
Corporate Services Directorate							
Corporate Development	2,224	2,114	107	-	(3)	(11)	8
Professional Standards	928	809	31	-	(88)	(90)	2
Sub Total	3,152	2,923	138	-	(91)	(101)	10
Departments							
Human Resources	1,780	1,764	4	-	(12)	(7)	(5)
Learning & Development	1,755	1,632	123	-	-	(14)	14
Information Technology	5,231	5,052	50	-	(129)	(112)	(17)
Procurement & Support Services	1,934	1,846	29	-	(59)	(34)	(25)
Estates	1,662	1,662	-	-	-	-	-
Finance	998	969	26	-	(3)	-	(3)
Transport Unit	1,058	1,081	-	-	23	-	23
Sub Total	14,418	14,006	232	-	(180)	(167)	(13)
Regional Collaboration							
EMSOU (Leicestershire Cash Contribution)	2,016	1,946	-	-	(70)	(156)	86
Regional Collaboration Command Team	264	257	-	-	(7)	-	(7)
Regional Special Branch	(1,244)	(1,298)	-	-	(54)	-	(54)
Regional Special Branch (Leicestershire)	261	261	-	-	-	8	(8)
Regional TSU (Cash Contribution)	531	473	-	-	(58)	(40)	(18)
Regional MIT (Regional SMT)	340	305	-	-	(35)	(33)	(2)
Regional Occupational Health (Cash Contribution)	423	397	-	-	(26)	(28)	2
Regional HR Transactional Services	-	-	-	-	-	-	-
Regional Learning & Development (Cash Contribution)	802	661	-	-	(141)	(128)	(13)
Contribution to Regional Collaboration Fund	-	225	-	-	225	286	(61)
Sub Total	3,393	3,227	-	-	(166)	(91)	(75)
The Office of the PCC	840	840	-	-	-	-	-
TOTAL DELEGATED	55,517	54,052	764	-	(701)	(663)	(38)
CORPORATE BUDGETS							
Central Items (Inflation, Financing etc.)	4,656	3,890	626	-	(140)	27	(167)
Non Main-Stream and BCU Funding	1,539	1,493	12	25	(9)	(10)	1
POCA	-	-	-	-	-	-	-
Police Community Support Officers	-	-	-	-	-	-	-
Police Pensions	2,632	2,844	-	-	212	205	7
Road Safety Unit	-	-	-	-	-	-	-
Vehicle Recovery Scheme	(18)	(26)	-	-	(8)	(13)	5
Police Pay, Allowances & Seconded Officers Income	105,068	102,842	-	-	(2,226)	(2,279)	53
ECU Forfeiture	-	-	-	-	-	-	-
Transfer to Earmarked Reserves	-	-	-	-	-	-	-
TOTAL CORPORATE	113,877	111,043	638	25	(2,171)	(2,070)	(101)
SUB TOTAL (excluding C/Fwds)	169,394	165,095	1,402	25	(2,872)	(2,733)	(139)
2011/12 Area & Dept C/Fwds	-	(346)	50	28	(268)	(287)	19
Operational Contingency Budgets	206	-	-	-	(206)	(400)	194
Revenue Contribution to Capital Expenditure (DJD - CCTV)	-	179	-	-	179	264	(85)
Home Office Public Order Grant	-	(671)	-	-	(671)	(671)	-
Grand Total (including C/Fwds)	169,600	164,257	1,452	53	(3,838)	(3,827)	(11)

Notes to the core financial statements

Revenue Outturn 2011/12

	a Revised Budget	b Provisional Outturn	c Year-End Commitments	d Balance (b+c-a)	February Forecast
	£000	£000	£000	£000	£000
DELEGATED BUDGETS					
Basic Command Units					
Counties	3,084	2,959	64	(61)	(86)
City	2,500	2,490	10	-	(2)
Sub Total	5,584	5,449	74	(61)	(88)
Delivering Justice Directorate					
Delivering Justice Command	692	627	36	(29)	(13)
Criminal Justice	5,737	5,449	30	(258)	(220)
Safeguarding	1,643	1,557	-	(86)	(47)
Investigations	767	643	-	(124)	(166)
St Bernard's, Juniper Lodge	60	60	-	-	-
MAPPA	56	56	-	-	-
Forensic Services	4,758	3,675	123	(960)	(962)
Sub Total	13,713	12,067	189	(1,457)	(1,408)
Tasking Directorate					
Tasking Directorate Command	478	490	-	12	37
Contact Management Centre	6,973	6,883	65	(25)	(161)
Operations	2,466	2,199	156	(111)	(152)
Specials	187	185	4	2	-
Force Intelligence Bureau	3,155	2,990	96	(69)	(96)
Sub Total	13,259	12,747	321	(191)	(372)
Corporate Services Directorate					
Corporate Development	1,969	1,781	102	(86)	(87)
Professional Standards	1,113	1,130	40	57	11
Sub Total	3,082	2,911	142	(29)	(76)
Departments					
Human Resources	2,279	2,077	57	(145)	(199)
Learning & Development	1,987	1,722	70	(195)	(252)
Information Technology	5,512	5,006	163	(343)	(390)
Procurement & Support Services	1,996	1,940	56	-	-
Estates	1,744	1,673	71	-	-
Finance	971	942	29	-	-
Transport Unit	1,117	1,106	11	-	29
Sub Total	15,606	14,466	457	(683)	(812)
Regional Collaboration					
Regional Special Branch	579	592	-	13	22
Regional TSU	161	271	-	110	138
Regional Major Crime	1,249	1,216	-	(33)	(24)
Regional Serious and Organised Crime	171	194	-	23	22
Sub Total	2,160	2,273	-	113	158
Police Authority	779	728	15	(36)	-
TOTAL DELEGATED	54,183	50,641	1,198	(2,344)	(2,598)
CORPORATE BUDGETS					
Central Items (Inflation, Financing etc.)	7,744	6,627	484	(633)	(13)
Seconded Officers	(1,223)	(1,396)	-	(173)	(126)
Non Main-Stream and BCU Funding	1,979	1,884	95	-	-
POCA	21	21	-	-	-
Police Community Support Officers	-	-	-	-	-
Police Pensions	2,546	3,592	-	1,046	763
Road Safety Unit	-	-	-	-	-
Vehicle Recovery Scheme	(44)	(32)	-	12	25
Police Pay & Allowances	110,744	108,660	6	(2,078)	(2,183)
ECU Forfeiture	-	-	-	-	-
Transfer to Earmarked Reserves	-	2,000	-	2,000	2,000
TOTAL CORPORATE	121,767	121,356	585	174	466
SUB TOTAL (excluding C/Fwds)	175,950	171,997	1,783	(2,170)	(2,132)
2010/11 Area & Dept C/Fwds & Growth	-	(488)	223	(265)	(214)
Revenue Contribution to Future Capital Expenditure	-	-	-	-	-
Transfer to Public Order Reserve	-	-	-	-	-
Grand Total (including C/Fwds)	175,950	171,509	2,006	(2,435)	(2,346)

Reconciliation between segmental reporting & the intra-group transfer between the OPCC and OCC

2011/12 £000		Note	2012/13 £000
171,509	Net expenditure per outturn report		164,257
(3,774)	Remove items not charged to "Cost of Services" on the Comprehensive Income & Expenditure Statement		887
(728)	Remove revenue outturn for the OPCC		(840)
18,618	Remove income recognised only by the OPCC		18,854
12,225	Add "Current Cost" and "Non-Distributed Costs" charged to the Comprehensive Income & Expenditure Account in Cost of Services		11,076
258	Add revenue expenditure funded from capital under statute (REFCUS)	2	382
5,087	Add charges for depreciation and amortisation of non-current assets	2	5,122
(855)	Add movement in accrual for accumulated absences		1,420
711	Add share of Regional Collaboration and Jointly Controlled Operations transactions		1,614
203,051	Intra-group transfer between OPCC and OCC in respect of resources consumed		202,772

5. External audit costs-

In 2012/13 the OCC incurred the following fees relating to external audit.

2011/12 £000		2012/13 £000
-	External audit services	19
-	Total	19

6. Leases

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

Under the Corporate Governance Framework, the Police & 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 & 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 a proxy for the depreciation incurred by the OPCC due to the finite life of those assets.

7. Trust funds

The OPCC/Group are required, under SI 1997 no 1908 The Police (Property) Regulations 1997, to set aside monies received from the sale of stolen goods so that it may provide financial support to charities and other deserving organisations. However, the OCC administers the Trust fund on behalf of the OPCC/Group and all monies are held on the Balance Sheet of the OPCC/Group

2011/12 £000		2012/13 £000
15	Opening balance	16
22	Receipts	54
(21)	Donations to charities	(22)
16	Closing balance	48

8. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 10, the OCC has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

9. 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 47) and the OCC could potentially be affected by those sensitivities or movements via the intra-group transfer from the OPCC.

10. Material items of income and expense

None currently

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

It should be noted that the Group (OPCC and OCC combined) share a common set of accounting policies. Whilst the OCC does not hold assets or liabilities under the current Corporate Governance Framework, the full list of accounting policies is provided for reference. Some of the resulting costs caused by application of these accounting policies can impact on the intra-group transfer that the OPCC makes to the OCC to reflect the cost of the resources consumed in the year.

A1 General principles

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

The Statement of Accounts summarises the OPCC and Group transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013. The OPCC/Group is required to prepare an annual statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* (the Code) and the *Service Reporting Code of Practice 2012/13* (SeRCOP) as published by CIPFA, supported by International Financial Reporting Standards (IFRS).

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

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

A2 Accruals of income and expenditure

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

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

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

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

A3 Exceptional items

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

A4 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 OPCC/Group 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 OPCC/Group will restate prior-year figures and provide a full explanation of the adjustments.

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

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

A5 Council tax – collection fund debtors/creditors and surplus/deficit

The Code requires that council tax income included in the Comprehensive Income and Expenditure Statement be accounted for on an accruals basis. The difference between the amount shown in the Comprehensive Income and Expenditure Statement and the amount required to be transferred to the OPCC/Group under regulation is taken to the Collection Fund Adjustment Account on the Balance Sheet. A reconciling item is also included on the Movement in Reserves Statement.

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

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

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

A6 Cash and cash equivalents

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

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

The OPCC/Group holds a number of accounts with its banking provider, the balances of which are set-off against each other at the close of each banking day. The net position of these accounts is shown within cash and cash equivalents (within current assets if in credit or within current liabilities if overdrawn).

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

A7 Financial instruments

The OPCC/Group's balance sheet contains financial assets & liabilities valued at amortised cost. Examples of these assets or liabilities include debtors, creditors, cash overdrafts and short/long-term borrowings. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

Where assets or liabilities mature within 12 months of the balance sheet date the carrying amount is assumed to approximate the fair value. In the example of short-term cash investments this means that they are shown at cost plus accrued interest receivable at the balance sheet date as this approximates fair value. Short-term cash investments due to mature within three months of the balance sheet date are shown within "cash & cash equivalents" on the balance sheet.

Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability. For example, interest payable on long-term borrowing (with the Public Works Loan Board or PWLB) is defined by the terms of each loan and the interest rate is fixed at the outset.

Annual credits to the Comprehensive Income & Expenditure Statement for interest receivable are based on the carrying amount of the asset (in this case the short-term cash investment) multiplied by the effective rate of interest (or in other words the agreed rate of return on the investment).

Deferred Liabilities (long-term borrowing with Leicestershire County Council) are accounted for on the basis of outstanding principal amounts as defined by statutory arrangements.

A8 Interest

Interest payable on external borrowings and interest receivable on short-term investments are accounted for on an accruals basis within the accounts. This is to reflect the overall economic effect of the borrowings or investments.

A9 Provisions & Contingent Liabilities

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the OPCC/Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are disclosed in a note to the accounts (Note 45 – OPCC/Group Accounts).

A10 Property, plant and equipment

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

Recognition

Expenditure – over specified de minimis level – currently £5,000 - on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the OPCC/Group and the cost of the item can be measured reliably. Expenditure that maintains but does

Notes to the core financial statements

not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

The OPCC/Group does not capitalise borrowing costs incurred whilst assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the general fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Components

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

Notes to the core financial statements

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on assets held for sale.

Notes to the core financial statements

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the OPCC/Group's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the Movement in Reserves Statement.

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

A11 Charges to revenue for non-current assets

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

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

A12 Redemption of debt

The OPCC/Group is not required to raise council tax to cover depreciation, impairment/revaluation losses or amortisations. However, it is required to make an annual provision from revenue (the "MRP" or "Minimum Revenue Provision") to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the OPCC/Group in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment/revaluation losses and amortisations are therefore replaced by the minimum revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

A13 Capital receipts

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

A14 Leases

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

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

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

The OPCC/Group as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the OPCC/Group are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the OPCC/Group at the end of the lease period).

The OPCC/Group is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The OPCC/Group as Lessor

Finance Leases

Where the OPCC/Group grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Again, representing the OPCC/Group's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

Notes to the core financial statements

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the general fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the general fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve

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

Operating Leases

Where the OPCC/Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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

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

Where such an arrangement is deemed to constitute a lease, it is disclosed within the *leasing* note in the financial statements (Note 11 – OPCC/Group Accounts).

A15 Government grants and contributions

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

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

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

Notes to the core financial statements

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

A16 Inventories

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

Inventories are valued on the basis of average cost price.

A17 Reserves

The OPCC/Group maintains reserves to finance expenditure on projects which will be carried out in future years and to protect the OPCC/Group against unexpected events.

Details of the nature of reserves made by the OPCC/Group are set out in the notes to the accounts.

A18 Investments

Investments (all maturing within 12 months and hence short-term in nature) are included in the accounts at cost price plus accrued interest owed to the OPCC/Group at the balance sheet date. Where an investment has a short maturity – a period of three months or less from the date of acquisition of the investment – and is due to mature within three months of the balance sheet date, it is shown in cash and cash equivalents.

A19 Pensions

The cost of retirement benefits is recognised in the net cost of services during the period when they are earned by employees, rather than when the benefits are actually paid as pensions in accordance with IAS 19. However, the charge we are required to make against government grants & council tax is based on the employer's contributions to each pension scheme during the year as assessed by an independent actuary.

Further details concerning the impact on the Statement of Accounts from the OPCC/Group's accounting policy for pensions can be seen in Note 33 – Retirement benefits, OPCC/Group Accounts.

A20 Employee benefits

Benefits payable during employment

The OPCC/Group makes an accrual in the Comprehensive Income & Expenditure Account for the short-term employment benefits that were not taken during the financial year. These benefits 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 OPCC/Group's personnel systems and costed out at the prevailing rates of pay for the forthcoming year (in effect the rate of pay applicable on 1st April as future pay increases may be subject to change).

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

Notes to the core financial statements

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

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

Termination benefits

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

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

Post-employment benefits

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

- Police staff

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

- 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. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus if required to be transferred from the pension fund to the OPCC/Group, which then must be repaid to central government. In April 2006 the Home Office introduced changes to the arrangements for police pension financing. The existing police pension scheme (1987 scheme) closed to new members on 5 April 2006. New police recruits from 6 April 2006 will join the new police pension scheme (2006 scheme).

Both types of schemes provided defined benefits to members (retirement lump sums and pensions), earned whilst employees of the OPCC/Group.

Police staff

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

- The liabilities of the Leicestershire County Council pension fund attributable to the OPCC/Group are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date

Notes to the core financial statements

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, using a discount rate of 5.1% p.a. The discount rate is the yield on the corporate bond index rated over 15 years.

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 pension's liability is analysed into seven components:

1. Current service cost – the increase in liabilities as a result of years of service earned during this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
2. Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure. This statement includes the capitalised gain from the change in pension increase policy from the Retail Price Index (RPI) to Consumer Price Index (CPI) as non-distributed cost.
3. Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
4. Expected return on assets – the annual investment return on the fund assets attributable to the OPCC/Group, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
5. Gains or losses on settlements and curtailments – the result of actions to relieve the OPCC/Group of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
6. 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 – debited to the pensions reserve.
7. Contributions paid to the Leicestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Police officers

The OPCC/Group participates in the following schemes:

- Police officers in service on or before 31 March 2006 are admitted to the 1987 Police Pensions Scheme - 1987 scheme
- Police officers in service on or after 1 April 2006 are admitted to the 2006 Police Pension Scheme – 2006 scheme

Both of these schemes are defined benefit schemes and are unfunded, meaning that there are no investment assets built up to meet pensions liabilities.

The expenditure and income in respect of this scheme is accounted for in the police pension fund account with the exception of injury and some ill health retirement payments, which are charged to the

Notes to the core financial statements

Comprehensive Income and Expenditure Statement. The pensions top up grant, receivable by the fund, is initially credited to the Comprehensive Income and Expenditure Statement, and then transferred to the police pension fund account via the Movement in Reserves Statement

The liability for future payments that will be made in relation to retirement benefits has been assessed by the Scheme's actuaries based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees

The cost of future retirement benefits when they are earned by serving police officers are recognised in the Comprehensive Income and Expenditure Statement in accordance with *IAS 19, Accounting for Retirement Benefits*, and therefore form part of the net deficit for the year. In order to ensure that these costs have a neutral impact upon the amount raised from council tax, they are reversed out in the Movement in Reserves Statement.

Discretionary benefits

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

A21 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core – costs relating to the OPCC/Group's status as a multifunctional, democratic organisation.
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of net expenditure on continuing services.

The Comprehensive Income & Expenditure Statement is produced by following the "Police Objective Analysis" approach to costing – this results in the net costs of the OPCC/Group being aligned to one of eleven key headings:

- Local policing
- Dealing with the public
- Criminal justice arrangements
- Road policing
- Specialist operations
- Intelligence
- Specialist investigation
- Investigative support
- National policing
- Non distributed costs
- Corporate and democratic core

There is also a "Subjective Analysis" version of the Comprehensive Income & Expenditure Statement (Note 2) provided which presents the same net costs of the OPCC/Group as under the "Police Objective Analysis" but by cost category instead. An example of such a cost category is "Police Officer Pay and Allowances" or "Supplies and Services".

A22 Estimation techniques

The following estimation techniques have been used in the accounts:

- Capital creditors – quantity surveyors estimate of the value of the work undertaken

Notes to the core financial statements

- IAS 19 Valuation – actuarial valuations of future pensions liabilities are provided by independent actuaries.
- Employee benefits – where employee benefits have been accrued for at the balance sheet date, they have been calculated using a sample of data taken from the various systems (whether manual or electronic) in which it is retained. This sample is analysed and extrapolated upwards to calculate the accrual for the population.
- Vehicle fleet residual values and depreciation rates – a comparison between estimated sales proceeds and the residual value of each vehicle (10% of purchase cost) is used to gain assurance that the valuation and depreciation policies remain appropriate.
- Civil claims provision – estimations of the OPCC/Group's potential liability to civil claims is provided by the appointed claims handlers. See the specific accounting policy above.
- Bad debt provision – the OPCC/Group assesses the outstanding sales invoices at 31st March and makes specific provision for those invoices where it is considered unlikely payment will be received.

A23 Jointly controlled operations

The OPCC/Group has an interest in seven jointly controlled operations. It is the lead accounting body for five of these:

- East Midlands Air Support Unit (EMASU)
 - The additional partners are Northamptonshire Police and Warwickshire Police
- East Midlands Special Operations Unit (EMSOU).
 - The additional partners are Derbyshire Police, Lincolnshire Police, Northamptonshire Police and Nottinghamshire Police
- East Midlands Special Operations Unit – Major Crime (EMSOU-MC)
 - The additional partners are Derbyshire Police, Lincolnshire Police, Northamptonshire Police and Nottinghamshire Police
- East Midlands Collaborative Human Resources Services – Learning & Development Unit (EMCHRS-LDU)
 - The additional partners are Derbyshire Police, Northamptonshire Police and Nottinghamshire Police
- East Midlands Collaborative Human Resources Services – Occupational Health Unit (EMCHRS-OHU)
 - The additional partners are as EMSOU

The lead accounting body for the remaining jointly controlled operations is Derbyshire Police

- East Midlands Technical Surveillance Unit (EMTSU)
 - The additional partners are as EMSOU
- East Midlands Legal Services Unit (EMLSU)
 - The additional partners are as EMCHRS-LDU

Adjustments have been made to the balance sheet to reflect the share of each jointly controlled operation's gross assets and liabilities controlled by the OPCC/Group as at 31st March 2013. Adjustments have also been made to the Comprehensive Income & Expenditure Statement to reflect the OPCC/Group's share of each jointly controlled operation's transactions during the year.

These adjustments have no effect on the overall amount to be met from government grants and council tax.

Leicestershire contributes 1/3 (one third) to the net revenue budget of EMASU, 23.1% to EMSOU, EMSOU-MC, EMCHRS-OHU and EMTSU and 26.4% to EMCHRS-LDU and EMLSU

During the course of 2013/14, EMASU will become part of the National Police Air Service (NPAS). At that point, EMASU will cease to exist and all assets and liabilities will transfer to West Yorkshire Police who will be the lead accounting authority for NPAS. Recognition of the OPCC/Group's share of the assets and liabilities of EMASU will be removed from the OPCC/Group's Balance Sheet by 31st March 2014. The transfer of assets (in particular the helicopter) will be in the form of an asset surrender and hence no financial consideration will be given to the OPCC/Group.

A24 Events after the reporting period

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

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

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

A25 Investment property

These are non-current assets that are held solely to earn income and/or realise capital appreciation and are valued at market value as determined by the OPCC/Group's specialist valuers. Any change in the market value of the investment property (together with any income or expenditure that is generated) is debited or credited to the *financing and investment income and expenditure* section of the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

A26 Non-current assets held for sale

Assets held for sale are those assets whose carrying amount is going to be recovered principally through a sale transaction rather than through continued use. Assets that are intended to be abandoned or scrapped at the end of their useful life are not covered by this definition. The Code sets a number of specific criteria, all of which must be met for an asset to be deemed "asset held for sale":

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

Where an asset meets these four criteria, it is revalued at fair value (existing use) and then transferred to the *assets held for sale* heading on the balance sheet. Assets held for sale are measured at the lower of (a) fair value [existing use] and (b) market value less disposal costs. Where the market value of an asset held for sale is deemed to have fallen below the current carrying value, the loss is charged to the Comprehensive Income & Expenditure Statement ("Other Operating Expenditure" line). However, as this is not a charge permitted by statute against the general fund, a reconciling entry is made in the Movement in Reserves Statement to reverse the transaction to the Capital Adjustment Account.

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

A27 Intangible assets

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

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

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

A28 Revenue expenditure funded from capital under statute

Expenditure that is financed by capital funding but does not result in either a new asset or an increase in value of an existing asset is classified as Revenue Expenditure Funded from Capital Under Statute and is amortised fully through the Comprehensive Income & Expenditure Statement in the year that the expenditure is incurred. A reversing entry is made in the Movement in Reserves Statement to neutralise the effect on the OPCC/Group's revenue funds

A29 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.

A30 Accounting for the costs of the carbon reduction commitment scheme

The OPCC/Group is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The OPCC/Group is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the OPCC/Group is recognised and reported in the costs of the OPCC/Group's services and is apportioned to services on the basis of energy consumption.

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 OPCC based on a percentage of pay
- Home Office top-up grant
- 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:

2011/12 £000		2012/13 £000
(19,107)	Contributions receivable:	
(1,367)	OPCC	
(14)	■ employer's contributions	(18,488)
(8,516)	■ early retirements	(811)
	■ reimbursement of unabated pensions of '30+' officers	(4)
(29,004)	■ officers' contributions	(9,124)
		(28,427)
(167)	Transfers in from other pension schemes	(331)
	Benefits payable:	
30,202	■ pensions	33,069
10,256	■ commutations and lump sum retirement benefits	10,344
2,112	■ ill-health commutations and lump sum retirement benefits	1,043
-	■ lump sum death benefits	240
42,570		44,696
	Payments to and on account of leavers:	
16	■ refund of contributions	1
842	■ transfers out to other police authorities	-
858		1
14,257	Net amount payable for the year	15,939
(14,257)	Additional contribution from the OPCC	(15,939)

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

31 March 2012 £000		31 March 2013 £000
7,070	Current assets	
	Contributions due from the OPCC	3,676
-	Current liabilities	
	Unpaid pensions benefits	220
7,070		3,896

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 by an adjustment in the Statement of Movement in Reserves. 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 11, A19 and A20, notes to the core financial statements.

Note 3

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

Details of the OPCC's long-term pension obligations can be found in the notes to the OPCC/Group's core financial statements at note 33

Note 4

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to by the Government Actuary's Department. The last revaluation was as at 31/3/2008 and the next revaluation date is unknown.

2011/12 %		2012/13 %
24.20	Employer's contribution level	24.20
12.25	Employees' contribution level	13.50
10.50	<ul style="list-style-type: none"> ■ 1987 scheme ■ 2006 scheme 	11.50

- The employees' contribution level figures are quoted for a tier 2 officer – those on a basic annual salary of more than £27k but less than £60k.

1) Scope of Responsibility

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

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

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

The CC has adopted the Corporate Governance Framework approved by the PCC, which is consistent with the principals of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Framework can be obtained from the Office of the Police and Crime Commissioner (OPCC), Leicestershire Police Headquarters, St Johns, Enderby, Leicester, LE19 2BX or on our website at www.leics.pcc.police.uk. This statement explains how the CC has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011 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.

3) The Governance Framework

Due to the introduction of the Police Reform and Social Responsibility Act 2011, governance arrangements have changed significantly in this reporting period. On the 22nd November 2012 the PCC replaced the Police Authority and two separate corporations sole were created i.e. PCC and CC.

The CC had previously put in place appropriate management and reporting arrangements to enable him to satisfy himself that his approach to corporate governance was both adequate and effective and supported the LPA. These included:

- A Code of Corporate Governance;
- A risk management strategy;
- Responsibility given to the Director of Finance 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.

RSM Tenon, the internal auditors, have been given the responsibility to review independently the status of formerly the Authority's and now the PCC's & CC's internal control arrangements. RSM Tenon routinely report to and attend the Joint Audit, Risk and Assurance Panel (formerly the Audit Committee) to provide assurance on the adequacy and effectiveness of internal control.

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

- A detailed Force delivery plan which sets out how the CC intends to achieve the objectives contained within the PCC's Police and Crime Plan
- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan
- Comprehensive budget setting and management systems that seek to align resources against police and crime plan priorities
- A Force Change Board which oversees the transformational change programme designed to deliver an affordable and sustainable medium term financial position
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action;
- A Force Strategic Organisational Risk Board which is responsible for the identification of strategic risks, the development of risk mitigation strategies and ongoing monitoring
- Engagement in value for money benchmarking such as is conducted by Her Majesty's Inspectorate of Constabulary (HMIC);
- Well researched and coherent Corporate Governance Framework that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriate statutory officers within both the OPCC and OCC, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC.
- 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

Chief Finance Officer

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

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

The Chief Financial Officer in a public service organisation:

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

4) Review of Effectiveness

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

2012/13 was an exceptional year in which the governance regime significantly changed. The election of the PCC, the creation of two corporations sole and of the JARAP, plus the redrafting of the Corporate Governance Framework are amongst the most impactful changes. These changes have in themselves necessitated a considerable focus on the governance regime to ensure that it is fit for purpose in the new operating environment. The previous Audit and Risk Committee and the interim JARAP (comprised of the independently appointed members of the previous Committee) were closely involved in overseeing the preparation for the changes. In particular an interim review of audit and risk as at 20 November was completed as part of the handover to the PCC. That review drew upon recent audit documents including the annual report of the Audit and Risk Committee 2011/12, the draft internal audit half year report and the Annual Audit Letter 2011/12 (released October 2012).

The RSM Tenon internal audit half year report covered the period 1 April 2012 to 1 November 2012. The opinion was intended to assist the Audit and Risk Committee by providing an independent assurance as to the control environment at the point of transfer to the PCC, thus highlighting any risk or control priorities that may need to be addressed early on by the PCC. RSM Tenon caveated the opinion as it was only based on their work in the year to that date. In summary, RSM Tenon's opinion of the adequacy and effectiveness of Leicestershire Police Authority's arrangements at the point of handover were:

Governance: The Authority had adequate and effective governance processes in place.

Risk Management: The Authority had adequate risk management arrangements in place. However RSM Tenon identified a need to ensure all controls are clearly documented and that assurances are received and documented to confirm that these controls are operating as required.

Control: The Authority generally had adequate and effective control arrangements in place, but RSM Tenon identified that little progress had been made in implementing previous recommendations.

Within that report reference is made to the audit of 11 areas of key financial controls. Those audits produced only 3 medium priority recommendations in the Purchasing and Creditor Management and the Financial Management and Information Processes areas. A further 9 low priority recommendations were made.

External audit (PricewaterhouseCoopers – PWC) issued their Annual Audit Letter for 2011/12 in October 2012. That Letter was intended to summarise the results of their 2011/12 audit. It noted that:

- an unqualified audit opinion on the Statement of Accounts was issued on 28 September 2012;
- the Finance Team met the agreed deadlines for production of the financial statements and produced a quality output which highlights that “the Authority’s accounting performance remains strong and is to be commended”;
- the ‘going-concern’ assumption is appropriate;
- there were “no significant matters that we needed to bring to your [the Authority’s] attention” arising from their review of the arrangements for internal control or of the Annual Governance Statement;
- an unqualified value for money conclusion should be issued on the adequacy of the Authority’s arrangements for ensuring economy, efficiency and effectiveness in its use of resources on 28 September 2012. The work to arrive at this assessment focussed on the arrangements around the transfer to the Police and Crime Commissioner and the medium term financial plans and savings targets.

The interim JARAP reviewed and commented upon the recently completed Corporate Governance Framework at its meeting in December, and both internal and external audit have reviewed and commented upon the Framework. The final challenge was through Legal Services, which resulted in some changes to the document to ensure that it aligned with all relevant legislation.

The Audit and Risk Committee (prior to 21 November 2012) also continued to monitor progress on the Assurance Framework, with regular reports from portfolio members.

Internal and external audit continued with their respective audit plans, with a particular focus on the transition arrangements. The interim JARAP continued to draw assurance from these reviews.

The interim JARAP was also involved in a workshop to assist in developing the risk register for the OPCC, and has subsequently followed the development through routine meetings. The OCC’s risk register was already in place when the PCC was elected. A risk action plan is being developed as is a risk assurance framework for both the OPCC and OCC.

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the JARAP, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions are outlined below.

6) Significant Governance Issues

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

Police and Crime Plan and Resources

The Police and Crime Plan has been produced by the OPCC whilst the objectives are clear, the targets are demanding. The extended period of austerity across the public sector has produced an estimated funding gap over the medium term to 2016/17 of some £20m for Leicestershire Police. In addition, a review of the funding formula is likely to have as yet unpredictable funding distributional impacts. There is a danger that as the funding gap is closed, the ability of the Force to address the Plan objectives and targets is reduced.

In order to seek to mitigate the potential impact of budget reductions, the Change Board is overseeing the formulation of a change programme of work that will produce a comprehensive suite of savings options to create a Force that is fit for purpose for 2016/17 and beyond. The aim is to maintain performance against the Plan while managing with reduced resources.

The intention is for the OPCC to produce a revised Police and Crime Plan, incorporating a balanced medium term financial strategy (MTFS) by the end of September 2013. This revised document will show how the Plan can be delivered through implementing appropriate changes and utilising reserves and precept strategies.

Stage 2 Transfers

When the Police and Crime Commissioner took office on 22 November 2012, all police staff transferred from the employment of the Police Authority to the employment of the OPCC. This was known as Stage 1.

Stage 2 is the transfer of appropriate police staff from the employment of the OPCC to the OCC. This is a potentially worrying and disruptive process for staff. In addition, an inappropriate outcome could lead to the ineffective operations or limiting potential for changes in the future.

A programme of work is underway, led by the OPCC Chief Executive and the OCC Director of Human Resources, which aims to ensure that an appropriate outcome is reached in accordance with Home Office deadlines.

The JARAP is new

All members of the JARAP are new to this role and to policing. While each is an experienced individual from a variety of backgrounds, there is a danger that the JARAP will be less effective in providing challenge and reassurance in its first few weeks.

A programme of induction work will be undertaken to ensure that the JARAP can be briefed for their role and given background information as soon as possible. This includes access to a briefing with other regional audit committees in September 2013.

Partnerships and Commissioning

The PCC is operating in a new environment of commissioning services from others with grants made available from the Home Office and elsewhere (Community Safety Fund - CSF). These grants were previously made available to other agencies directly, so there has been some sensitivity as to how they will be allocated by the OPCC in future. Any significant shift in resources by the OPCC to partners will need to be carefully managed to ensure that the established partnership structures are not damaged which may impact on Partners performance and thus, the Force's ability to deliver shared outcomes.

Regional Collaboration

Both the OPCC and the OCC in Leicestershire are active supporters of regional collaboration on a range of support and front line functions. There is, of course, a requirement to ensure that these

Annual governance statement

arrangements are governed appropriately and are delivering value for money. The Chief Finance Officers of the region are concerned that since the advent of PCCs and the changes to local governance frameworks, the rules and procedures for the region have become less clear.

On governance, the Regional Chief Finance Officers have set in place a review of governance to seek set out a clear framework for the Regional Collaboration team to operate within.

National Developments

There are a number of national developments being proposed such as those around Probation services and victims' support. These may have a direct or oblique impact on OPCCs and OCCs through reducing opportunities for collaboration and partnership working and/or adding more responsibility without compensating resources.

The OPCC and OCC are seeking to gather information on the proposals and to input where and when invited to do so. When more firm proposals are known, then detailed reactions will be prepared.

Conclusion

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

Simon Cole	Paul Dawkins
Chief Constable	Chief Finance Officer
Date	

ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION

I confirm that the relevant controls and procedures are in place to manage the following issues within Regional Collaboration for the East Midlands:

1. The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked.

DCC (East Midlands) monitors performance. This is reported to the East Midlands Police and Crime Commissioners (EMPCC) Board on a quarterly basis.

2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Compliance is monitored by management review, 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. Reviews of business processes have not identified significant and systemic control failures within the department. Where issues have been identified these are being addressed through defined management action plans.

An Audit of Key Financial Controls was undertaken during 2012, which gave reasonable assurance that the controls upon which the organisation relies upon are suitably designed, consistently applied and effectively managed.

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's Board which defines the expenditure targets for each area of policing within regional collaboration. Each force actively supports the budget allocation and sets its own precept accordingly.

Management reports showing costs against budget are provided monthly. Unexpected variances are investigated and explained, ready for reporting to quarterly Management Boards and the EMPCC's Board. The monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date.

4. Incorporating good governance arrangements in respect of partnerships.

The EMPCC'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 region to improve performance as well as saving money.

Signed



Peter Goodman
Deputy Chief Constable (East Midlands)

Independent auditors' report to the Office of the Chief Constable for Leicestershire

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.

Commutated lump sums

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

Contingent liabilities

A contingent liability is either:

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

Corporate and democratic core

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

Creditors

Amounts owed by the OPCC 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 financial year.

Deferred liabilities

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

Defined benefit scheme

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

Depreciation

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

Financial regulations

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

Financial year

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

Formula spending share

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

Impairment

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

Investment property

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

Leasing

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

- (a) finance leases which transfer all of the risks and rewards of ownership of a non-current asset to the lessee and such assets are included within the non-current assets in the balance sheet.
- (b) operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the service revenue accounts.

Liquid resources

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

Minimum revenue provision

The minimum amount that the OPCC 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.

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 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).