

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

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

**2013/14**

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## Explanatory foreword by the Chief Finance Officer

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The accounts for 2013/14 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (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.

For details of changes in accounting methodology and policies, please refer to the note titled "Accounting changes caused by the Police Reform and Social Responsibility Act 2011" beginning on page 18.

### Overview

The financial year 2013/14 was the first full year in office for Sir Clive Loader as Police and Crime Commissioner for Leicestershire. During the year, Sir Clive actively took forward the Commissioning elements of the role and issued and revised his Commissioning Intentions Framework during the year. This set out how the PCC structured his commissioning budget to achieve outcomes to support the delivery of his Police and Crime Plan.

In January 2014, unprecedented top slicing for central costs and initiatives led to a significantly lower than anticipated funding settlement for 2014/15 and future years. As a result of this, the Commissioner needed to issue a precept based on a 1.5% increase to take into account the future funding challenges anticipated and the uncertainties surrounding future Council Tax Freeze Grants. Despite achieving over £3.2M of reductions towards the 2014/15 settlement and increased revenue from increasing the Council Tax, the budget identified a further £465K reductions to be met from efficiencies during 2014/15. In addition, the PCC prioritised funding to develop the volunteer strategy and increase PCSO levels over the next three years, targeting areas of known anti-social behaviour.

Building on the success of finding efficiencies in previous years, the Force developed a detailed Change Plan in June 2013 which is scheduled to deliver transactional and transformational changes by 2017. This plan was considered by the Commissioner in June 2013 and provided delivery options to set out how Leicestershire Police intended to deliver the priorities in the Police and Crime Plan, and achieve the main objective in the force strategy for change, namely:

"with our staff and partners, transform the way we protect our communities and deliver over £20m in revenue savings by 2016."

Work took place during the year to progress the Change Plan which was set in June 2013 and to release efficiencies. In addition, investment was made to develop and provide an evidence based approach towards transformational change. The force will continue to refine and develop this in 2014/15 to ensure delivery of these options in line with the timescales.

In 2013/14, the Office of the Police and Crime Commissioner for Leicestershire's budget was managed and monitored tightly in conjunction with the Force and this reflects the very tight financial environment and reducing funding year-on-year. As a result of this, the final outturn for the year resulted in a very small underspend of £57k, which when compared to a budget of over £173.5 million equated to a variance of only 0.03%.

In respect of Commissioning, the total commissioning expenditure for 2013/14 equated to £2.9m and to minimise the impact of any transition, the PCC decided to transfer six month's funding between April and September 2013 at the same base level as for 2012/13, to all those previously in receipt of the former Home Office funding. This enabled his Office to work with partners to determine how best to commission his outcomes from October 2013 while maintaining services. A Commissioning Commissioning Intentions document was published in June 2013. This set out how the PCC intended to structure his commissioning budget to achieve outcomes to support the delivery of his Police and

Police and Crime Plan.

The Commissioning Intentions led to numerous initiatives being funded including:

- Integrated Offender Management (IOM) targeting the highest risk offenders.
- Targeting adult offenders with a substance misuse problem, specifically those tested and identified at point of arrest.
- Support for victims of rape and sexual assault, as well as the investigative process, by funding the Sexual Assault Referral Centres.
- Woodland based work experience, vocational qualifications with employability skills and life coaching training for 16-24-year-olds who are Not in Education, Employment or Training (NEET).
- Emergency out-of-hours safe temporary accommodation for women and children who are victims of domestic abuse in Leicester, Leicestershire and Rutland.
- A six month pilot project to investigate the feasibility and cost effectiveness of alternate models of health and social support for the street drinking population in Leicester city.

The Police and Crime Plan was revised in October 2013. The original Commissioning Intentions document was therefore also refreshed and developed into a Commissioning Framework for 2014/15 onwards.

The PCC issues a separate Annual Report which details the activities undertaken during the year and the progress towards the Police and Crime Plan priorities.

The 2013/14 outturn evidenced the robust budget management in place during the year and use of reserves were minimised towards essential investment to ensure that the budget equalisation and other earmarked reserves remained in a healthy state. This is particularly important as the predictions of a growing medium term funding gap (£15.4M over the 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 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 continue to ensure that there is an appropriate balance between the change programme and its implications and the resources available in order to deliver the priorities of the police and crime plan as identified to the Commissioner by the public and partners within Leicester, Leicestershire and Rutland.

### **Financing the Police Service**

A net annual revenue budget of £173.5m was set for the service as a whole, after planning to make further efficiency savings during the year of £0.5m. £171.4m was managed by the CC with the remaining £2.1m relating to the costs of the OPCC (£1.0m) and commissioning activities (£1.1m net of the Community Safety Fund). The majority of the funding is provided by Government, with just 28% met via the Council Tax. The PCC accepted the Council Tax freeze grant and the precept was held at

was held at £173.88 for Band D property.

### Revenue spending

The OPCC underspent its revenue budget by £0.057m, or 0.03%. This was attributable to:

- an underspend on police pay and allowances of £2.62m due an increased number of leavers and implementation of the Winsor recommendations including the reduction to the starting salaries of probationer constables.
- an overspend on corporate budgets of £2.934m due a higher than anticipated number of ill health retirements, increased legal costs relating to civil claims offset by unbudgeted 'mutual aid' policing income, lower than budgeted expenditure on bank holiday police overtime and savings arising from decisions at the Change Board, offset by a range of investments in infrastructure and operational activities.
- a net underspend of £0.371m on delegated activities as a result of local management decisions to reduce overall expenditure.

The OPCC has transferred the uncommitted revenue underspend of £0.057m to the Budget Equalisation Reserve as a further contribution to bridging the estimated medium term funding gap of £15.4m in 2016/17 and to fund future investments in the Change Programme.

### Reserves

The Police Fund (General Reserve) has been increased to £6.0m. The closing balance on the Budget Equalisation Reserve is £11.81m and the total earmarked reserves are £21.6m (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 2013/14 Statement of Accounts has resulted in a pension liability of £1,607m compared to £1,577m in 2012/13.

The police officer pension scheme liability is £1,533m with the balance relating to the Local Government Pension Scheme (LGPS).

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

### Capital spending

£9.4m was spent on improving the buildings stock, investing in information technology, operational equipment and the vehicle fleet. This was funded by a combination of internal borrowing, grant, asset sales and revenue contributions. This capital spending resulted in non-current asset additions of £9.07m after £0.35m was charged to the Comprehensive Income & Expenditure Statement as "Revenue Expenditure Financed from Capital resources Under Statute" (REFCUS – see Note 16). No external borrowing was taken out during 2013/14. Outstanding external debt at the year end was £12.4m (excluding accruals for interest payable).

The capital projects undertaken included the replacement of Loughborough LPU, remodelling of existing office space, enhancements to existing IT systems, alongside a range of infrastructure developments to support both local and regional collaborative working.

## Explanatory foreword by the Chief Finance Officer

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During 2013/14 properties at Lutterworth (House and Land) and Belgrave Road, Leicester were disposed of as part of the Force's overall estates strategy. These were replaced with neighbourhood offices, where appropriate. Further properties at Lutterworth and Market Bosworth were held for sale at the 31<sup>st</sup> March 2014 and these disposals should be concluded during 2014/15.

### Outlook for 2014/15 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.

Against this background, the OPCC approved the 2014/15 net revenue and capital budgets of £172.6m and £6.0m respectively. Formula grant reduced by 3.3% in 2014/15. 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 PCC did not accept the grant and a precept of £176.48 for a Band D property was approved, an increase of 1.5% over the previous year.

This decision was based on sustaining the longer term financial position of the OPCC and Force in future years.

The Chief Constable launched a change programme in 2012/13 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*". This programme has produced a comprehensive suite of change options to create a Force that is fit for 2016/17 and beyond, within the funding available.

Following consultation during the summer, the PCC has restated the priorities set out in the Police and Crime Plan which shows how it is intended to balance the budget over the medium term, and with 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

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 2013/14. 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 31<sup>st</sup> March 2014. 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.

## Explanatory foreword by the Chief Finance Officer

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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 (two provided, one for the Group and one for the OPCC):**

#### Movement in Reserves Statement

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

#### Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. The Police & 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.

#### 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).
- 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

The OPCC for Leicestershire

## **Explanatory foreword by the Chief Finance Officer**

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

#### **Annual governance statement**

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



### ***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 31<sup>st</sup> March 2014 has been prepared and was approved at the Joint Audit Risk Assurance Panel (JARAP) on 23<sup>rd</sup> September 2014.

### ***The Chief Finance Officer's responsibilities***

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

In preparing this Statement of Accounts the CFO, has:

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

The Chief Finance Officer has also:

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

### ***Chief Finance Officer's certification***

I certify that the Statement of Accounts presents a true and fair view of the financial position of the OPCC/Group at the reporting date and of its income and expenditure for the year ended 31<sup>st</sup> March 2014.

**Helen King**  
**Chief Finance Officer**  
**23<sup>rd</sup> September 2014**

## ***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.

2012/13 (Restated)				Note	2013/14		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
95,34	(7,80)	87,53	Local Policing		90,21	(2,54)	87,66
13,07	(30)	12,76	Dealing With The Public		16,28	(25)	16,03
14,04	(1,06)	12,97	Criminal Justice Arrangements		13,89	(96)	12,92
6,34	(1,07)	5,27	Road Policing		6,56	(1,48)	5,08
14,58	(2,09)	12,49	Specialist Operations		14,97	(2,25)	12,71
12,42	(39)	12,03	Intelligence		12,88	(56)	12,31
36,66	(3,74)	32,91	Investigations		38,12	(3,01)	35,11
5,11	(15)	4,96	Investigative Support		5,18	(15)	5,03
5,85	(4,70)	1,14	National Policing		5,09	(3,66)	1,43
1,14		1,14	Corporate & Democratic Core		1,20		1,20
			Commissioning Activities by the Police & Crime Commissioner		2,94	(1,66)	1,28
2		2	Non distributed costs	32/33	3		3
<b>204,62</b>	<b>(21,34)</b>	<b>183,27</b>	<b>Cost of services</b>	<b>2</b>	<b>207,40</b>	<b>(16,55)</b>	<b>190,84</b>
	(25)	(25)	Other operating expenditure	4	73		73
68,09	(26)	67,83	Financing and investment income & expenditure	5	69,40	(44)	68,96
	(172,12)	(172,12)	Taxation & non-specific grant income	6		(176,19)	(176,19)
<b>272,71</b>	<b>(193,98)</b>	<b>78,72</b>	<b>(Surplus) or deficit on provision of services</b>		<b>277,54</b>	<b>(193,19)</b>	<b>84,35</b>
		3,77	(Surplus) / deficit on revaluation of non current assets				2,39
		176,19	Actuarial (gains) / losses on pension assets/liabilities	32			(37,06)
		(15,93)	Grant received from the Home Office in respect of the pension fund account	32			(19,25)
		<b>164,03</b>	<b>Other comprehensive income &amp; expenditure</b>				<b>(53,92)</b>
		<b>242,75</b>	<b>Total comprehensive income &amp; expenditure</b>				<b>30,43</b>

## ***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.

2012/13 (Restated)					2013/14		
Gross expenditure	Gross income	Net expenditure			Gross expenditure	Gross income	Net expenditure
£000	£000	£000		Note	£000	£000	£000
			Local Policing Dealing With The Public Criminal Justice Arrangements Road Policing Specialist Operations Intelligence Investigations Investigative Support National Policing				
1,06		1,06	Corporate & Democratic Core		1,12		1,12
			Commissioning Activities by the Police & Crime Commissioner		2,94	(1,66)	1,28
			Non distributed costs				
190,28	(21,34)	168,93	Intra-group Transfer		186,60	(14,88)	171,71
<b>191,34</b>	<b>(21,34)</b>	<b>169,99</b>	<b>Cost of services</b>	2	<b>190,67</b>	<b>(16,55)</b>	<b>174,12</b>
	(25)	(25)	Other operating expenditure	4	73		73
88	(26)	62	Financing and investment income expenditure	5	81	(44)	37
	(172,12)	(172,12)	Taxation & non-specific grant income	6		(176,19)	(176,19)
<b>192,22</b>	<b>(193,98)</b>	<b>(1,76)</b>	<b>(Surplus) or deficit on provision of services</b>		<b>192,23</b>	<b>(193,19)</b>	<b>(96)</b>
		3,77	(Surplus) / deficit on revaluation of non-current assets				2,33
		5	Actuarial (gains) / losses on pension assets/liabilities	32			15
			Grant received from the Home Office in respect of the pension fund account	32			
		<b>3,83</b>	<b>Other comprehensive income &amp; expenditure</b>				<b>2,55</b>
		<b>2,07</b>	<b>Total comprehensive income &amp; expenditure</b>				<b>1,59</b>

## Balance Sheet (Group)

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

31 <sup>st</sup> March 2012 £000	31 <sup>st</sup> March 2013 £000		Note	31 <sup>st</sup> March 2014 £000
		<b>Non-current assets</b>		
1,61	1,46	Intangible assets	14	88
59,03	57,49	Property, plant & equipment	15	55,61
30	24	Investment property	17	50
<b>60,94</b>	<b>59,19</b>			<b>57,00</b>
		<b>Non-operational non-current assets</b>		
71	39	Assets under construction	15/19	3,26
<b>61,66</b>	<b>59,58</b>			<b>60,26</b>
10	26	Long term debtors	21	38
<b>61,76</b>	<b>59,85</b>	<b>Total long term assets</b>		<b>60,65</b>
		<b>Current assets</b>		
23	33	Inventories	20	34
15,30	12,32	Short term debtors	21	17,67
1,32	38	Assets held for sale	18	98
1,53	1,56	Payments in advance		1,58
1	51	Short term investments	22	1
20,40	23,25	Cash & cash equivalents	22	15,89
<b>38,82</b>	<b>38,37</b>			<b>36,48</b>
		<b>Current liabilities</b>		
(10,74)	(10,94)	Short term creditors	24	(10,51)
(90)	(86)	Receipts in advance		(1,90)
(13)	(13)	Short term borrowing	26	(13)
(39)	(33)	Provisions	27	(39)
(1,82)	(3,24)	Accumulated absences	39	(3,10)
<b>(13,99)</b>	<b>(15,51)</b>			<b>(16,05)</b>
<b>24,82</b>	<b>22,86</b>	<b>Net current assets</b>		<b>20,43</b>
		<b>Long term liabilities</b>		
(12,39)	(12,39)	Long term borrowing	25	(12,39)
(3,11)	(2,67)	Deferred liabilities	23	(2,23)
(16)	(12)	Capital grants receipts in advance	12	(18)
	(12)	Receipts in Advance		(12)
(1,338,09)	(1,577,43)	Liability related to defined benefit pension schemes	32	(1,606,61)
<b>(1,353,76)</b>	<b>(1,592,64)</b>			<b>(1,621,45)</b>
<b>(1,267,17)</b>	<b>(1,509,93)</b>	<b>Net assets / (liabilities)</b>		<b>(1,540,36)</b>
28,49	28,18	Usable reserves	28	27,60
(1,295,67)	(1,538,11)	Unusable reserves	29	(1,567,96)
<b>(1,267,17)</b>	<b>(1,509,93)</b>	<b>Total reserves</b>		<b>(1,540,36)</b>

### Re-certification

The financial statements on pages 1 to 146 were issued on 27<sup>th</sup> June 2014 and the audited accounts were authorised for issue on 23<sup>rd</sup> September 2014.

## Balance Sheet (OPCC)

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

31 <sup>st</sup> March 2012 £000	31 <sup>st</sup> March 2013 £000		Note	31 <sup>st</sup> March 2014 £000
		<b>Non-current assets</b>		
1,61	1,46	Intangible assets	14	88
59,03	57,49	Property, plant & equipment	15	55,61
30	24	Investment property	17	50
<b>60,94</b>	<b>59,19</b>			<b>57,00</b>
		<b>Non-operational non-current assets</b>		
71	39	Assets under construction	15/19	3,26
<b>61,66</b>	<b>59,58</b>			<b>60,26</b>
3	21	Long term debtors	21	32
<b>61,69</b>	<b>59,79</b>	<b>Total long term assets</b>		<b>60,59</b>
		<b>Current assets</b>		
23	33	Inventories	20	34
7,98	8,34	Short term debtors	21	11,20
1,32	38	Assets held for sale	18	98
1,52	1,55	Payments in advance		1,58
1	51	Short term investments	22	1
2,66		Guarantee from the Police & Crime Commissioner		2,31
20,40	23,25	Cash & cash equivalents	22	15,89
<b>34,16</b>	<b>34,38</b>			<b>32,32</b>
		<b>Current liabilities</b>		
(6,01)	(5,86)	Short term creditors	24	(6,29)
	(1,03)	Guarantee to the Police & Crime Commissioner		
(90)	(86)	Receipts in advance		(1,90)
(13)	(13)	Short term borrowing	26	(13)
(39)	(33)	Provisions	27	(39)
	(6)	Accumulated absences	39	(1)
<b>(7,44)</b>	<b>(8,23)</b>			<b>(8,74)</b>
<b>26,71</b>	<b>26,15</b>	<b>Net current assets</b>		<b>23,58</b>
		<b>Long term liabilities</b>		
(12,39)	(12,39)	Long term borrowing	25	(12,39)
(3,11)	(2,67)	Deferred liabilities	23	(2,23)
(16)	(12)	Capital grants receipts in advance	12	(18)
	(12)	Receipts in Advance		(12)
(17)	(24)	Liability related to defined benefit pension schemes	32	(43)
<b>(15,84)</b>	<b>(15,45)</b>			<b>(15,27)</b>
<b>72,57</b>	<b>70,49</b>	<b>Net assets / (liabilities)</b>		<b>68,90</b>
28,49	28,18	Usable reserves	28	27,60
44,07	42,31	Unusable reserves	29	41,30
<b>72,57</b>	<b>70,49</b>	<b>Total reserves</b>		<b>68,90</b>

### Re-certification

The financial statements on pages 1 to 146 were issued on 27<sup>th</sup> June 2014 and the audited accounts were authorised for issue on 23<sup>rd</sup> September 2014.

## Statement of Movement in Reserves (Group)

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

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

	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
2013/14							
No	31 £000	30 £000	34 £000	35 £000	28 £000	29 £000	£000
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>5,25</b>	<b>22,92</b>			<b>28,18</b>	<b>(1,538,11)</b>	<b>(1,509,93)</b>
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services	(84,350)				(84,350)		(84,350)
Other comprehensive income & expenditure	53,920				53,920		53,920
<b>Total comprehensive income &amp; expenditure</b>	<b>(30,430)</b>				<b>(30,430)</b>		<b>(30,430)</b>
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	29,840			(1,320)	29,840	(29,840)	
<b>Net increase/(decrease) before transfers (to)/from earmarked reserves</b>	<b>(58)</b>			<b>(1,320)</b>	<b>(582)</b>	<b>(29,840)</b>	<b>(30,430)</b>
Transfers (to)/from earmarked reserves (note 30)	1,320	(1,320)					
<b>Increase/(decrease) in 2013/14</b>	<b>740</b>	<b>(1,320)</b>		<b>(1,320)</b>	<b>(582)</b>	<b>(29,840)</b>	<b>(30,430)</b>
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>6,000</b>	<b>21,590</b>			<b>27,600</b>	<b>(1,567,960)</b>	<b>(1,540,360)</b>

## Core financial statements

2012/13 (restated)	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
No	31 £000	30 £000	34 £000	35 £000	28 £000	29 £000	£000
<b>Balance as at 31<sup>st</sup> March 2012</b>	<b>5,25</b>	<b>23,23</b>			<b>28,49</b>	<b>(1,295,675)</b>	<b>(1,267,175)</b>
<b>Movement in reserves during 2012/13</b>							
Surplus or (deficit) on the provision of services	(78,727)				<b>(78,727)</b>		<b>(78,727)</b>
Other comprehensive income & expenditure	(164,031)				<b>(164,031)</b>		<b>(164,031)</b>
<b>Total comprehensive income &amp; expenditure</b>	<b>(242,758)</b>				<b>(242,758)</b>		<b>(242,758)</b>
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	242,443			(2)	<b>242,441</b>	<b>(242,441)</b>	
<b>Net increase/(decrease) before transfers (to)/from earmarked reserves</b>	<b>(314)</b>			(2)	<b>(316)</b>	<b>(242,443)</b>	<b>(242,758)</b>
Transfers (to)/from earmarked reserves (note 30)	314	(314)					
<b>Increase/(decrease) in 2012/13</b>		<b>(314)</b>		(2)	<b>(316)</b>	<b>(242,443)</b>	<b>(242,758)</b>
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>5,25</b>	<b>22,92</b>			<b>28,18</b>	<b>(1,538,118)</b>	<b>(1,509,938)</b>

**Statement of Movement in Reserves (OPCC)**

	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
2013/14							
No	31 £000	30 £000	34 £000	35 £000	28 £000	29 £000	£000
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>5,25</b>	<b>22,92</b>			<b>28,18</b>	<b>42,31</b>	<b>70,49</b>
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services	96				96		96
Other comprehensive income & expenditure	(2,554)				(2,554)		(2,554)
<b>Total comprehensive income &amp; expenditure</b>	<b>(1,593)</b>				<b>(1,593)</b>		<b>(1,593)</b>
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	1,011			(1,011)	1,011	(1,011)	
<b>Net increase/(decrease) before transfers (to)/from earmarked reserves</b>	<b>(582)</b>			(1,011)	<b>(582)</b>	<b>(1,011)</b>	<b>(1,593)</b>
Transfers (to)/from earmarked reserves (note 30)	1,328	(1,328)					
<b>Increase/(decrease) in 2013/14</b>	<b>746</b>	<b>(1,328)</b>		(1,011)	<b>(582)</b>	<b>(1,011)</b>	<b>(1,593)</b>
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>6,000</b>	<b>21,592</b>			<b>27,600</b>	<b>41,300</b>	<b>68,900</b>



## Core financial statements

2012/13 (restated)	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied	Total usable reserves	Total unusable reserves	Total OPCC reserves
<i>No</i>	31 £000	30 £000	34 £000	35 £000	28 £000	29 £000	£000
<b>Balance as at 31<sup>st</sup> March 2012</b>	<b>5,25</b>	<b>23,23</b>			<b>28,49</b>	<b>44,07</b>	<b>72,57</b>
<b>Movement in reserves during 2012/13</b>							
Surplus or (deficit) on the provision of services	1,76				1,76		1,76
Other comprehensive income & expenditure	(3,83)				(3,83)		(3,83)
<b>Total comprehensive income &amp; expenditure</b>	<b>(2,07)</b>				<b>(2,07)</b>		<b>(2,07)</b>
Adjustments between accounting basis & funding basis under regulations (note 1 & 3)	1,76			(2)	1,75	(1,75)	
<b>Net increase/(decrease) before transfers (to)/from earmarked reserves</b>	<b>(31)</b>			(2)	<b>(31)</b>	<b>(1,75)</b>	<b>(2,07)</b>
Transfers (to)/from earmarked reserves (note 30)	31	(31)					
<b>Increase/(decrease) in 2012/13</b>		<b>(31)</b>		(2)	<b>(31)</b>	<b>(1,75)</b>	<b>(2,07)</b>
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>5,25</b>	<b>22,92</b>			<b>28,18</b>	<b>42,31</b>	<b>70,49</b>

## Cash Flow Statement (Group)

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

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

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

2012/13 (restated) £000		Note	2013/14 £000
<b>78,72</b>	<b>Net (surplus) or deficit on the provision of services</b>		<b>84,35</b>
(89,330)	Adjustments to <i>net (surplus) or deficit on the provision of services</i> for non-cash movements	41.1	(86,434)
3,030	Adjustments for items included in the <i>net (surplus) or deficit on the provision of services</i> that are investing and financing activities	41.2	2,990
<b>(7,567)</b>	<b>Net cash flows from operating activities</b>		<b>90</b>
4,280	Investing activities	42	6,000
430	Financing activities	43	430
<b>(2,847)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>7,350</b>
20,400	Cash and cash equivalents at the beginning of the reporting period		23,250
<b>23,250</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	22	<b>15,890</b>

## Cash Flow Statement (OPCC)

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

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

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

2012/13 (restated) £000		Note	2013/14 £000
(1,763)	<b>Net (surplus) or deficit on the provision of services</b>		(967)
(8,840)	Adjustments to <i>net (surplus) or deficit on the provision of services</i> for non-cash movements	41.1	(1,123)
3,033	Adjustments for items included in the <i>net (surplus) or deficit on the provision of services</i> that are investing and financing activities	41.2	2,991
<b>(7,567)</b>	<b>Net cash flows from operating activities</b>		<b>907</b>
4,281	Investing activities	42	6,000
43	Financing activities	43	43
<b>(2,841)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>7,350</b>
20,400	Cash and cash equivalents at the beginning of the reporting period		23,250
<b>23,250</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	22	<b>15,890</b>

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

### 2013/14 Update

The reader will recall the section in 2012/13's accounts (beginning on page 13) that described the changes in corporate structure (and subsequently in accounting methodology) that were caused by the creation of the two corporations sole of the Police and Crime Commissioner for Leicestershire and the Chief Constable for Leicestershire.

In the time since the publication of the 2012/13's accounts a great deal of national debate has taken place concerning precisely how the two corporations sole (and the inter-relationship between them) should be accounted for. This has resulted in further guidance from the Audit Commission (APB 04-2014) and CIPFA (LAAP 98A). The objective of this guidance was to reduce the incidences of differences in accounting that had previously been observed nationally. Whilst the guidance itself addresses some of the broader issues it is clear that the accounting landscape for the two corporations sole is far from straightforward and further changes in the future cannot be ruled out as the techniques mature.

The 2013/14 accounts have been produced on a similar basis to that seen in 2012/13, namely using group accounting principles and the use of intra-group balances where necessary. However, the revisions to national guidance have resulted in the following key differences this time around:

- All transactions related to the Police Officer pension schemes (i.e. IAS 19) have been transferred to the Chief Constable when disaggregating the Group accounts
- A proportionate share of the Police Staff pension scheme (equivalent to the % of police staff employed by the PCC) transactions have been retained within the OPCC's accounts with the remainder transferring to the Chief Constable.
- The receipt (and closing debtor) of the Pension Fund top-up grant payable by the Home Office in support of the Police Officer pension scheme(s) has been fully accounted for within the Chief Constable's accounts. Whilst the cash is received by the Police and Crime Commissioner through his bank account, it is recognised that he does so on behalf of the Chief Constable.
- The share (in effect the majority) of the accrual for employee benefits at the balance sheet date (including annual leave, rest day and time-off in lieu) has been transferred to the Chief Constable in recognition of its inherent link to the employment of staff and the responsibility to bear costs.
- All debtor and creditor accounts (i.e. PAYE or net pay accounts) that are directly attributable to the employment of either police officers or staff have been transferred in full to the Chief Constable's balance sheet.
- On each single entity balance sheet an entry has been made to reflect an intra-group account which in effect balances working capital for the Chief Constable. This is in recognition of the fact that the Chief does not hold cash resources of his own and that any liabilities are paid by the Police and Crime Commissioner together with any cash receipts related to debtors.

These changes have meant a greater number of transactions appearing in the Chief Constable's primary statements than previously which goes some distance to presenting a "cost of policing" model to the reader. However because of the complexity inherent in accounts presented on an IFRS basis, it is recommended that the Group accounts are used to ensure that all transactions are captured for the public-facing organisation that is Leicestershire Police.

In the same way that the changes in 2012/13 were presented as if they had always been in effect, the revisions to accounting methodology identified above have been restated back to the 2011/12 balance sheet to ensure full comparative information for 2012/13 can be provided.

The following table demonstrates the movement through an intra-group account within the Balance Sheets of the Group and its constituent bodies during 2013/14. 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 the closing balance on each single entity balance sheet represents the net debtors/creditors transferred to the Chief Constable when disaggregating the Group balance sheet. The figures for 2012/13 are provided for comparative purposes.

## Notes to the core financial statements

2012/13 (restated)			Intra-Group Account	2013/14		
OPCC £000	OCC £000	Group £000		OPCC £000	OCC £000	Group £000
2,665	(2,665)		<b>Opening balance at 1<sup>st</sup> April</b>	(1,030)	1,030	
(168,934)	168,934		OPCC's resources consumed by the OCC	(171,717)	171,717	
168,934	(168,934)		OPCC intra-group adjustment	171,717	(171,717)	
(3,695)	3,695		Movement in the financial guarantee by the PCC to support the Chief Constable's working capital requirement	3,345	(3,345)	
<b>(1,030)</b>	<b>1,030</b>		<b>Closing balance at 31<sup>st</sup> March</b>	<b>2,315</b>	<b>(2,315)</b>	

It should be noted that the intra-group account may alternate between being a debit or credit balance within the Chief Constable's balance sheet due to timing differences in the relative levels of debtors and creditors related to employment that exist. In particular, the debtor related to the Home Office grant that part-funds the Police Pension Scheme(s) can fluctuate significantly each year.

### **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

GROUP 2013/14	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
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</b>						
Charges for depreciation and impairment of non-current assets	3,15				3,15	(3,15)
Revaluation (gains) / losses on property, plant and equipment	2,38				2,38	(2,38)
Revaluation of current assets (assets held for sale)	4				4	(4)
Movements in the market value of investment property	(26)				(26)	26
Amortisation of intangible assets	60				60	(60)
Capital grants & contributions applied	(1,97)				(1,97)	1,97
Revenue expenditure funded from capital under statute	34				34	(34)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	1,86				1,86	(1,86)
<b>Insertion of items not debited or credited to the CIES</b>						
Statutory provision for the financing of capital investment	(1,27)				(1,27)	1,27
Capital expenditure charged against the general fund	(2,37)				(2,37)	2,37
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	56,74				56,74	(56,74)
Employer's pensions contributions and direct payments to pensioners payable in the year	(27,56)				(27,56)	27,56
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Difference between council tax receipts on an accruals basis and on a cash received basis	(64)				(64)	64
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the CIES						
Application of grants to capital financing transferred to the Capital Adjustment Account				(	(	
<b>Adjustments primarily involving the Revaluation Reserve</b>						
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve						(1
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(1,01)		1,01		(1,01)	1,01
Use of the Capital Receipts Reserve to finance new capital expenditure			(1,01)			
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(4)				(4)	4
<b>Adjustments primarily involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(13)				(13)	13
<b>Total adjustments</b>	<b>29,84</b>				<b>29,84</b>	<b>(29,84)</b>

## Notes to the core financial statements

GROUP 2012/13 (Restated)	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
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</b>						
Charges for depreciation and impairment of non-current assets	4,03				4,03	(4,03
Revaluation (gains) / losses on property, plant and equipment	2,94				2,94	(2,94
Revaluation of current assets (assets held for sale)						
Movements in the market value of investment property	6				6	(6
Amortisation of intangible assets	1,08				1,08	(1,08
Capital grants & contributions applied	(2,47)				(2,47)	2,47
Revenue expenditure funded from capital under statute	38				38	(38
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	42				42	(42
<b>Insertion of items not debited or credited to the CIES</b>						
Statutory provision for the financing of capital investment	(1,29)				(1,29)	1,29
Capital expenditure charged against the general fund	(3,70)				(3,70)	3,70
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	265,54				265,54	(265,54
Employer's pensions contributions and direct payments to pensioners payable in the year	(26,19)				(26,19)	26,19
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Difference between council tax receipts on an accruals basis and on a cash received basis	(4)				(4)	4
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the CIES						
Application of grants to capital financing transferred to the Capital Adjustment Account				(	(	
<b>Adjustments primarily involving the Revaluation Reserve</b>						
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	83				83	(83
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(55)		55			
Use of the Capital Receipts Reserve to finance new capital expenditure			(55)		(55)	55
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES						
<b>Adjustments primarily involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,42				1,42	(1,42
<b>Total adjustments</b>	<b>242,44</b>			(	<b>242,44</b>	<b>(242,44</b>

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## Notes to the core financial statements

OPCC	Usable reserves				Total usable reserves	Movement in unusable reserves
	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants & contributions unapplied		
2013/14	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</b>						
Charges for depreciation and impairment of non-current assets	3,15				3,15	(3,15)
Revaluation (gains) / losses on property, plant and equipment	2,38				2,38	(2,38)
Revaluation of current assets (assets held for sale)	4				4	(4)
Movements in the market value of investment property	(26)				(26)	26
Amortisation of intangible assets	60				60	(60)
Capital grants & contributions applied	(1,97)				(1,97)	1,97
Revenue expenditure funded from capital under statute	34				34	(34)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	1,86				1,86	(1,86)
<b>Insertion of items not debited or credited to the CIES</b>						
Statutory provision for the financing of capital investment	(1,27)				(1,27)	1,27
Capital expenditure charged against the general fund	(2,37)				(2,37)	2,37
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	24				24	(24)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4)				(4)	4
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Difference between council tax receipts on an accruals basis and on a cash received basis	(64)				(64)	64
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the CIES						
Application of grants to capital financing transferred to the Capital Adjustment Account				(	(	
<b>Adjustments primarily involving the Revaluation Reserve</b>						
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve						(1
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(1,01		1,01			
Use of the Capital Receipts Reserve to finance new capital expenditure			(1,01		(1,01	1,01
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(4				(4	4
<b>Adjustments primarily involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements						(



## Notes to the core financial statements

<b>Total adjustments</b>	<b>1,01</b>				<b>(1,01)</b>	<b>(1,01)</b>
	<b>Usable reserves</b>					
<b>OPCC</b>	<b>General fund balance</b>	<b>Earmarked reserves</b>	<b>Capital receipts reserve</b>	<b>Capital grants &amp; contributions unapplied</b>	<b>Total usable reserves</b>	<b>Movement in unusable reserves</b>
<b>2012/13 (Restated)</b>						
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</b>						
Charges for depreciation and impairment of non-current assets	4,03				4,03	(4,03)
Revaluation (gains) / losses on property, plant and equipment	2,94				2,94	(2,94)
Revaluation of current assets (assets held for sale)						
Movements in the market value of investment property	6				6	(6)
Amortisation of intangible assets	1,08				1,08	(1,08)
Capital grants & contributions applied	(2,47)				(2,47)	2,47
Revenue expenditure funded from capital under statute	38				38	(38)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	42				42	(42)
<b>Insertion of items not debited or credited to the CIES</b>						
Statutory provision for the financing of capital investment	(1,29)				(1,29)	1,29
Capital expenditure charged against the general fund	(3,70)				(3,70)	3,70
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	9				9	(9)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2)				(2)	2
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Difference between council tax receipts on an accruals basis and on a cash received basis	(4)				(4)	4
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the CIES						
Application of grants to capital financing transferred to the Capital Adjustment Account				(	(	
<b>Adjustments primarily involving the Revaluation Reserve</b>						
Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	83				83	(83)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES	(55)		55			
Use of the Capital Receipts Reserve to finance new capital expenditure			(55)		(55)	55
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of cash proceeds credited as part of the gain/loss on disposal to the CIES						
<b>Adjustments primarily involving the Accumulated Absences Account</b>						

Notes to the core financial statements

Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements						(
Total adjustments	1,74			(	1,74	(1,75)

## 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.

2012/13 (restated)			2013/14
Outturn £000		Note	Outturn £000
112,04	Police officer pay and allowances		105,88
43,79	Police staff pay and allowances		45,88
2,83	Police pensions		4,51
11,84	IAS 19 Current Cost Adjustment (pensions)	33	16,86
1,06	Other employees expenses		1,16
5,58	Premises		5,16
3,46	Transport		3,13
12,95	Supplies and services		13,43
4,37	Agency and contracted services		3,17
1,12	The Office of the Police and Crime Commissioner		1,10
	Commissioning Activities by the PCC		2,94
38	Revenue expenditure financed from capital resources (REFCUS)	16/37	34
5,12	Depreciation & amortisation charges	14/15	3,75
2	Non-distributed costs regarding pensions	33	3
<b>204,62</b>	<b>Gross operating expenditure</b>		<b>207,40</b>
(10,110)	Income from government grants	12	(4,654)
(7,830)	Income from fees and charges		(7,470)
(3,407)	Contributions from other local authorities		(2,754)
	Commissioning grant		(1,667)
<b>183,27</b>	<b>Cost of services</b>		<b>190,84</b>
(258)	Other operating expenditure	4	73
67,83	Financing and investment income & expenditure	5	68,95
(172,125)	Taxation & non-specific grant income	6	(176,193)
<b>78,72</b>	<b>(Surplus) or deficit on provision of services</b>		<b>84,35</b>
3,77	(Surplus) / deficit on revaluation of non-current assets	36/37	2,39
176,19	Actuarial (gains) / losses on pension assets/liabilities	33	(37,060)
(15,939)	Grant received from the Home Office in respect of the pension fund account	32	(19,257)
<b>164,03</b>	<b>Other comprehensive income &amp; expenditure</b>		<b>(53,921)</b>
<b>242,75</b>	<b>Total comprehensive income &amp; expenditure</b>		<b>30,43</b>

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

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 2012/13 and 2013/14 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.

# Notes to the core financial statements

## LEICESTERSHIRE POLICE Revenue Outturn 2013/14

	a Revised Budget £000	b Provisional Outturn £000	c Year-End Commitments / Purchase Orders £000	e Balance (b+c+d-a) £000	f February Forecast £000	g Movement (e-f) £000
<b>DELEGATED BUDGETS</b>						
<b>Basic Command Units</b>						
Counties	2,883	2,888	15	-	-	-
City	2,483	2,370	113	-	-	-
<b>Sub Total</b>	<b>5,366</b>	<b>5,258</b>	<b>128</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Delivering Justice Directorate</b>						
Delivering Justice Command	844	978	159	293	332	(39)
Criminal Justice	5,986	5,560	59	(367)	(338)	(29)
Serious Crime	895	945	-	50	35	15
Safeguarding	1,823	1,731	-	(92)	(112)	20
Forensic Services	3,718	3,507	62	(149)	(122)	(27)
Force Intelligence Bureau	3,331	3,208	67	(56)	(44)	(12)
Major Crime	784	1,077	-	293	203	90
<b>Sub Total</b>	<b>17,381</b>	<b>17,006</b>	<b>347</b>	<b>(28)</b>	<b>(46)</b>	<b>18</b>
<b>Tasking Directorate</b>						
Contact Management Department	7,735	7,695	39	(1)	(2)	1
Operations	2,702	2,614	81	(7)	22	(29)
Specials	116	101	-	(15)	(20)	5
<b>Sub Total</b>	<b>10,553</b>	<b>10,410</b>	<b>120</b>	<b>(23)</b>	<b>-</b>	<b>(23)</b>
<b>Corporate Services Directorate</b>						
Corporate Services	1,434	1,399	35	-	-	-
Corporate Communications	610	513	97	-	(65)	65
Professional Standards	872	822	50	-	1	(1)
<b>Sub Total</b>	<b>2,916</b>	<b>2,734</b>	<b>182</b>	<b>-</b>	<b>(64)</b>	<b>64</b>
<b>Departments</b>						
Human Resources	1,599	1,511	48	(40)	(40)	-
HR Service Centre	644	570	-	(74)	(99)	25
Learning & Development	1,561	1,448	8	(105)	(38)	(67)
Information Technology	5,247	5,181	65	(1)	(12)	11
Procurement & Support Services	1,927	1,900	27	-	(4)	4
Estates	1,671	1,671	-	-	-	-
Finance	969	945	24	-	-	-
Transport Unit	1,032	1,006	24	(2)	-	(2)
<b>Sub Total</b>	<b>14,650</b>	<b>14,232</b>	<b>196</b>	<b>(222)</b>	<b>(193)</b>	<b>(29)</b>
The Office of the PCC	1,050	1,050	-	-	-	-
OPCC - Community Safety Fund	1,105	1,105	-	-	-	-
<b>TOTAL DELEGATED</b>	<b>53,021</b>	<b>51,775</b>	<b>973</b>	<b>(273)</b>	<b>(303)</b>	<b>30</b>
<b>REGIONAL COLLABORATION</b>						
EMSOU (Leicestershire Cash Contribution)	2,056	2,024	-	(32)	39	(71)
Regional Collaboration Command Team	227	208	-	(19)	(20)	1
Regional Special Branch (inc. DSP)	264	210	7	(47)	-	(47)
Regional TSU (Cash Contribution)	517	509	-	(8)	(21)	13
Regional Major Crime (Command Team)	326	326	-	-	(6)	6
Regional Occupational Health (Cash Contribution)	333	364	-	31	20	11
Regional Learning & Development (Cash Contribution)	676	635	-	(41)	(63)	22
Regional Legal Services	256	250	-	(6)	(11)	5
Regional Operations	-	24	-	24	25	(1)
<b>TOTAL REGIONAL COLLABORATION</b>	<b>4,655</b>	<b>4,550</b>	<b>7</b>	<b>(98)</b>	<b>(37)</b>	<b>(61)</b>
<b>CORPORATE BUDGETS</b>						
Central Items (Inflation, Financing etc.)	6,654	7,040	1,172	1,258	1,111	147
Non Main-Stream and BCU Funding	6,328	6,305	23	-	-	-
POCA	2	2	-	-	-	-
Police Community Support Officers	-	-	-	-	-	-
Police Pensions	2,796	4,514	-	1,718	1,698	20
Road Safety Unit	-	-	-	-	-	-
Vehicle Recovery Scheme	(10)	(52)	-	(42)	(33)	(9)
Police Pay, Allowances & Seconded Officers Income	99,831	97,211	-	(2,620)	(2,589)	(31)
ECU Forfeiture	-	-	-	-	-	-
Transfer to Earmarked Reserves	-	-	-	-	-	-
<b>TOTAL CORPORATE</b>	<b>115,901</b>	<b>115,020</b>	<b>1,195</b>	<b>314</b>	<b>187</b>	<b>127</b>
<b>GRAND TOTAL</b>	<b>173,577</b>	<b>171,345</b>	<b>2,175</b>	<b>(57)</b>	<b>(153)</b>	<b>96</b>

NB. The revised budget figure of £173,577k differs from the approved 13/14 budget figure of £173,490k due to the retrospective award of additional DCLG grant of £87.9k

# Notes to the core financial statements

## Revenue Outturn 2012/13

	a	b	c	d	e	f	g
	Revised	Provisional	Year-End	Submitted	Balance	February	Movement
	Budget	Outturn	Commitments /	Business	(b+c+d-a)	Forecast	(e-f)
	£000	£000	Purchase Orders	Cases	£000	£000	£000
<b>DELEGATED BUDGETS</b>							
<b>Basic Command Units</b>							
Counties	3,084	3,076	8	-	-	-	-
City	2,554	2,537	6	-	(11)	-	(11)
<b>Sub Total</b>	<b>5,638</b>	<b>5,613</b>	<b>14</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>(11)</b>
<b>Delivering Justice Directorate</b>							
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	-	-	-	-	-
MAPP	34	34	-	-	-	-	-
Forensic Services	3,991	3,829	72	-	(90)	(183)	93
Regional MIT (Leicestershire)	750	742	-	-	(8)	31	(39)
<b>Sub Total</b>	<b>14,583</b>	<b>14,279</b>	<b>126</b>	<b>-</b>	<b>(178)</b>	<b>(264)</b>	<b>86</b>
<b>Tasking Directorate</b>							
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)
<b>Sub Total</b>	<b>13,493</b>	<b>13,164</b>	<b>254</b>	<b>-</b>	<b>(75)</b>	<b>(40)</b>	<b>(35)</b>
<b>Corporate Services Directorate</b>							
Corporate Development	2,224	2,114	107	-	(3)	(11)	8
Professional Standards	928	809	31	-	(88)	(90)	2
<b>Sub Total</b>	<b>3,152</b>	<b>2,923</b>	<b>138</b>	<b>-</b>	<b>(91)</b>	<b>(101)</b>	<b>10</b>
<b>Departments</b>							
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
<b>Sub Total</b>	<b>14,418</b>	<b>14,006</b>	<b>232</b>	<b>-</b>	<b>(180)</b>	<b>(167)</b>	<b>(13)</b>
<b>Regional Collaboration</b>							
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)
<b>Sub Total</b>	<b>3,393</b>	<b>3,227</b>	<b>-</b>	<b>-</b>	<b>(166)</b>	<b>(91)</b>	<b>(75)</b>
<b>The Office of the PCC</b>	<b>840</b>	<b>840</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL DELEGATED</b>	<b>55,517</b>	<b>54,052</b>	<b>764</b>	<b>-</b>	<b>(701)</b>	<b>(663)</b>	<b>(38)</b>
<b>CORPORATE BUDGETS</b>							
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	-	-	-	-	-	-	-
<b>TOTAL CORPORATE</b>	<b>113,877</b>	<b>111,043</b>	<b>638</b>	<b>25</b>	<b>(2,171)</b>	<b>(2,070)</b>	<b>(101)</b>
<b>SUB TOTAL (excluding C/Fwds)</b>	<b>169,394</b>	<b>165,095</b>	<b>1,402</b>	<b>25</b>	<b>(2,872)</b>	<b>(2,733)</b>	<b>(139)</b>
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)	-
<b>Grand Total (including C/Fwds)</b>	<b>169,600</b>	<b>164,257</b>	<b>1,452</b>	<b>53</b>	<b>(3,838)</b>	<b>(3,827)</b>	<b>(11)</b>

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

2012/13 Restated £000		Note	2013/14 £000
164,25	Net expenditure per outturn report		171,34
	Reverse transfer to the General Fund made in-year		(747)
<b>164,25</b>	<b>Revised net expenditure</b>		<b>170,59</b>
1,45	Carry-forward requests		2,17
5	Business cases		
<b>165,76</b>	<b>Net expenditure before transfer to budget equalisation reserve</b>		<b>172,77</b>
3,83	Transfer to budget equalisation reserve		5
<b>169,60</b>	<b>Net expenditure for year (management accounts)</b>		<b>172,83</b>
(55,91)	Council tax income (cash basis)	41.3	(49,380)
(67,317)	Police grant	6	(80,897)
(882)	Revenue support grant	6	
(45,490)	Non-domestic rates	6	(43,300)
	<b>Movement on general fund balance (management accounts)</b>		<b>(747)</b>
31	Reverse effect of transfer (to)/from earmarked reserves	30	1,32
242,44	Adjustments between accounting basis & funding basis under regulations	1	29,84
<b>242,75</b>	<b>Total comprehensive income &amp; expenditure (Group)</b>		<b>30,43</b>

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

2012/13 Restated £000		Note	2013/14 £000
<b>164,25</b>	<b>Net expenditure per outturn report (revised)</b>		<b>170,59</b>
88	(Remove)/add items not charged to "Cost of Services" on the Comprehensive Income & Expenditure Statement		(1,081)
(840)	Remove revenue outturn for the OPCC		(2,205)
8	Recharged expenditure from the OPCC related to Corporate Management		7
38	Add revenue expenditure funded from capital under statute (REFCUS)	1	34
5,12	Add charges for depreciation and amortisation of non-current assets	1	3,75
(962)	Other Group Accounting adjustments		23

168,93	Intra-group transfer between OPCC and OCC in respect of resources consumed		171,71
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#### 4. Other operating expenditure (Group & OPCC)

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

2012/13 Outturn £000		Note	2013/14 Outturn £000
(258)	(Gains)/losses on the disposal of non-current assets	1/14 15/37	69
	(Gains)/losses on the revaluation of assets held for sale	18/37	4
(258)			73

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

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

2012/13 Restated Outturn £000	Group	Note	2013/14 Outturn £000
81	Interest payable and similar charges		79
67,22	Pensions net interest cost	33	68,60
(249)	Interest receivable and similar income		(142)
(17)	Income and expenditure in relation to investment properties	17	(37)
6	Changes in the market value of investment properties	17/37	(266)
67,83			68,95

2012/13 Restated Outturn £000	OPCC	Note	2013/14 Outturn £000
81	Interest payable and similar charges		79
	Pensions net interest cost	33	2
(249)	Interest receivable and similar income		(142)
(17)	Income and expenditure in relation to investment properties	17	(37)
6	Changes in the market value of investment properties	17/37	(266)
62			37



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

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

<b>2012/13 Outturn £000</b>		<b>Note</b>	<b>2013/14 Outturn £000</b>
(55,955)	Council tax income	9	(50,020)
(67,317)	Police grant	41.3	(80,897)
(882)	Revenue support grant	41.3	
(45,490)	Non-domestic rates	41.3	(43,300)
(2,479)	Capital grants and contributions	16	(1,976)
<b>(172,123)</b>			<b>(176,193)</b>

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:

2013/14	Notes	Salary	Benefits in kind	Other payment	Expense allowances	Compensation for loss of office	Pension contributions	Total
		£	£	£ note 8	£ note 9	£	£	£
<b>The Office of the CC</b>								
Chief Constable	1	139,930	3,710	4,540	1,230		33,860	183,270
Deputy Chief Constable)	2	123,200	5,420	6,130	120		29,380	164,250
Assistant Chief Constable								
Senior Police Officer D (Retired 8 <sup>th</sup> January)	3	85,130	1,220	3,030	2,790		20,310	112,480
Senior Police Officer H (Retired 16 <sup>th</sup> June)	4	19,790	1,080	2,430	200		4,790	28,190
Senior Police Officer I (Commenced 17 <sup>th</sup> June)	5	74,500	3,170	2,540	190		18,030	98,430
Senior Police Officer J (Commenced 17 <sup>th</sup> June)	5	74,500	3,380	2,700	90		18,030	98,700
Finance Director		90,480			5,400		14,200	110,080
Director of Human Resources		91,980			5,400		14,440	111,820
		699,530	18,010	21,380	15,240		153,030	907,290
<b>Office of the PCC</b>								
Chief Executive	6	93,540			1,230			94,770
Chief Financial Officer (Commenced 4 <sup>th</sup> November)	7	32,990					5,180	38,170
Chief Financial Officer – Interim (Commenced 31 <sup>st</sup> August – 3 <sup>rd</sup> November)	7	17,500						17,500
Chief Financial Officer – Interim (Ceased 6 <sup>th</sup> September)	7	56,790						56,790
		200,830			1,230		5,180	207,240
<b>Group</b>		900,370	18,010	21,380	16,480		158,210	1,114,460

**Note 1** – The annualised salary of the Chief Constable for Leicestershire is **£140,511** (01/09/2013).

**Note 2** – The annualised salary of the Deputy Chief Constable is **£115,920** (01/09/2013). The Deputy Chief Constable covered for the Chief Constable between the 2<sup>nd</sup> July and 28<sup>th</sup> October 2013.

**Note 3** – Senior Police Officer D was temporary promoted to the role of Deputy Chief Constable from the 2<sup>nd</sup> July 2013 until their retirement on the 8<sup>th</sup> January 2014.

**Note 4** – Temporary Promoted Senior Police Officer H (annualised salary **£90,726** ) retired on the 16<sup>th</sup> June 2013.

**Note 5** – Senior Police Officers I & J commenced with the Force on the 17<sup>th</sup> June 2013 on an annualised of **£94,692**

**Note 6** – The annualised salary of the Chief Executive is **£93,930**

## Notes to the core financial statements

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**Note 7** – The OPCC's Chief Finance Officer was covered by two interim appointments (not directly employed by the OPCC) for the period 1<sup>st</sup> April to 3<sup>rd</sup> November. A substantive Chief Financial Officer commenced on the 04/11/2013 on an annualised salary of **£80,800**

**Note 8** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependent upon when the officer joined the Force).

**Note 9** - Expense allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

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

## Notes to the core financial statements

2012/13	Notes	Salary	Benefits in kind	Other payment	Expense allowances	Compensation for loss of office	Pension contributions	Total
		£	£	£	£	£	£	£
				note 5/8	note 6/9			
<b>Office of CC</b>								
Chief Constable	1	139,119	4,980	4,540	520		33,660	182,819
Deputy Chief Constable (commenced 7 May 2012)	2	103,350	3,490	4,060	1,100		25,010	136,010
Assistant Chief Constable								
Senior Police Officer A (Deceased 19 Oct 2012)	3	100,750	4,610	1,140	300		14,510	121,310
Senior Police Officer D		99,040	4,070	3,920	520		23,960	131,510
Senior Police Officer G (ceased 23 Jan 2013)	4	73,410	3,800	3,170	100		17,760	98,240
Senior Police Officer H (from 7 Jan 2013)	4	21,920	870	690	50		5,300	28,830
Finance Director		89,950			5,380		13,670	109,000
Director of Human Resources		89,950			5,400		13,670	109,020
		717,510	21,840	17,560	12,420		147,560	916,890
<b>Police Authority/Office of the PCC</b>								
Chief Executive/Treasurer (combined role until 26 <sup>th</sup> Sept 2012)		90,000			720			90,720
Chief Financial Officer (from 27 <sup>th</sup> Sept 2012)	7	69,790						69,790
		159,790			720			160,510
<b>Group</b>		<b>877,310</b>	<b>21,840</b>	<b>17,560</b>	<b>13,140</b>		<b>147,560</b>	<b>1,077,410</b>

**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 7<sup>th</sup> 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 (dependent 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** – The OPCC's Chief Finance Officer was covered by two interim appointments (not directly employed by the OPCC) for the period 1<sup>st</sup> April to 3<sup>rd</sup> November. A substantive Chief Financial Officer commenced on the 04/11/2013 on an annualised salary of **£80,800**

**Note 8** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependent upon when the officer joined the Force).

**Note 9** - Expense allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

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:

### Group

Remuneration band £	2012/13 number of employees	2013/14 number of employees
50,000 to 54,999	5	3
55,000 to 59,999	5	5
60,000 to 64,999	6	4
65,000 to 69,999	3	2
70,000 to 74,999	2	1
75,000 to 79,999	-	2
80,000 to 84,999	1	4
85,000 to 89,999	1	2
90,000 to 94,999	1	-
95,000 to 99,999	1	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. I.e. above the rank of Superintendent.
- One of the officers included in the figures above have been seconded to other organisations for the duration of 2013/14; 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 and two police officers included in the table above work in the regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.

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

### Group

exit package cost band (including special payments)	number of compulsory redundancies		number of other departures agreed		total number of exit packages by cost band		total cost of exit packages in each band £	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000							£67,38	£73,93
£20,001 - £40,000								£20,07
£40,001 - £60,000								
£60,001 - £80,000								
£80,001 - £100,000							£89,29	
total						1	£156,67	£94,01

**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. One 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 2013/14 was £14k (2012/13 £144k). The allowances paid during 2012/13 included the outgoing Police Authority that was replaced by the incoming Police & Crime Commissioner. This transition year was therefore higher than 2013/14.

## 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 significant control over the general operations of the OPCC/Group. It is responsible for providing the statutory framework within which the OPCC/Group operates, and provides the majority of funding in the form of general or specific grants. 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 53 - accounting policy A23 for further details.

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

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

2012/13 £000	amounts are shown on an accruals basis	2013/14 £000
(5,590)	Blaby District Council	(5,158)
(9,568)	Charnwood Borough Council	(8,823)
(5,789)	Harborough District Council	(5,456)
(6,558)	Hinckley & Bosworth Borough Council	(6,034)
(13,991)	Leicester City Council	(11,171)
(3,257)	Melton Borough Council	(3,033)
(5,524)	North-West Leicestershire District Council	(5,026)
(3,132)	Oadby & Wigston Borough Council	(2,869)
(2,546)	Rutland County Council	(2,449)
<b>(55,955)</b>	<b>Total</b>	<b>(50,029)</b>

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

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



## 10. External audit costs (Group & OPCC)

In 2013/14 the OPCC/Group incurred the following fees relating to external audit.

2012/13		Costs	2013/14	
OPCC	Group		OPCC	Group
£000	£000		£000	£000
4	6	External audit services	3	5
4	6	<b>Total</b>	3	5

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 £0k in 2013/14 (2012/13 £5k), the OPCC share being £0k (2012/13 £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:

2012/13	2013/14					
Total		Property	Vehicles	Photo-copiers	Vending machines	Total
£000		£000	£000	£000	£000	£000
50	Payments recognised as an expense	29	2	12	2	46
	<b>Minimum lease payments</b>					
5	Payable:					
	Not later than one year	1	1			2
46	Later than one year and not later than five years			29	7	38
3,55	Later than five years	2,91				2,91

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:

2012/13 £000		2013/14 £000
	<b>Minimum lease receivable</b>	
	Receivable:	
8	Not later than one year	7
28	Later than one year and not later than five years	22
72	Later than five years	66

## 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)

2012/13 £000		2013/14 £000
	<b>Credited to services:</b>	
(4,695)	Police community support officers	
(1,634)	Dedicated security grant	(2,127)
(811)	Special operations	(1,126)
(284)	Proceeds of Crime Act	(395)
(478)	Drug testing on charge	
(58)	Olympics Training Camps	
(693)	Olympics Mutual Aid	
(147)	Loan charges	(142)
(671)	Public Order Deployments	
(401)	EMSOU (22.8% share)	(574)
(241)	Others	(296)
<b>(10,110)</b>	<b>Total</b>	<b>(4,658)</b>

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:

2012/13 £000	Capital grants receipts in advance	2013/14 £000
(105)	s106 developer contributions	(170)
(19)	Peace Grant	(19)
(124)	<b>Total</b>	(189)

### 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.

2012/13 £000		2013/14 £000
1	<b>Opening balance</b>	4
5	Receipts	7
(22)	Donations to charities	(20)
4	<b>Closing balance</b>	10

### 14. Intangible assets (Group & OPCC)

2012/13 £000	Software Licenses	2013/14 £000
	<b>Balance at start of year</b>	
6,78	Gross carrying amounts	7,71
(5,16)	Accumulated amortisation	(6,25)
1,61	<b>Net carrying amount at start of year</b>	1,46
	<i>Additions</i>	
59	• Leicestershire	16
	• EMSOU	
	<i>Disposals</i>	
	• Leicestershire	(572)
	• EMSOU	(1)
33	Transfers	13
	<i>Amortisation for the period</i>	
(1,08)	• Leicestershire	(599)
(3)	• EMSOU	(2)
	<i>Amortisation on disposals</i>	
	• Leicestershire	29
	• EMSOU	
1,46	<b>Net carrying amount at end of year</b>	88
	<i>Comprising:</i>	
7,71	Gross carrying amounts	7,44
(6,25)	Accumulated amortisation	(6,56)
1,46		88

### *Transfers*

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

### *Amortisation*

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

- 5 – 10 years

### *Capital commitments*

The OPCC has entered into several contracts for the delivery of intangible assets in 2014/15 budgeted to cost a total of £562k. The major commitment is for a Regional Digital Interview Recording System for £291k.

## **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 of all land and buildings was completed as at 31<sup>st</sup> March 2014, the impact of which is contained within the figures below. The land & buildings net carrying amount below includes £120k 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 2013 - £549k) – the remainder of the building structure being held at a net book value of £1.2m (31 March 2013 - £1.07m).

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

	land and buildings	vehicles	equipment	helicopter (1/3rd share)	total PPE	assets under construction
2013/14	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>	52,22	7,60	16,87	1,45	78,16	39
At 1 April 2013						
Additions • Leicestershire	1,07	1,15	1,38		3,62	3,45
• EMSOU	1,73	3	1		1,79	
• EMTSU		1	1		3	
Revaluations / impairments						
• Leicestershire	(2,794				(2,794	
• EMSOU	(745				(745	
• EMASU	(3				(3	
Disposals • Leicestershire		(1,094	(834		(1,928	(13
• EMSOU		(18	(30		(48	
• EMASU			(93	(1,455	(1,552	
• EMTSU						
Transfers • Leicestershire	(1,239		43		(805	(566
<b>At 31 March 2014</b>	50,26	7,70	17,76		75,73	3,26
<b>Accumulated depreciation and impairment</b>	(1,976	(4,462	(13,36	(876	(20,675	
At 1 April 2013						
<i>Depreciation charge</i>						
• Leicestershire	(652	(96	(1,443		(3,056	
• EMASU	(5				(5	
• EMSOU	(17	(29	(32		(78	
• EMTSU		(2	(1		(13	
Disposals • Leicestershire		93	63		1,57	
• EMTSU						
• EMSOU		1	3		4	
• EMASU			6	87	94	
<i>Adjustment due to revaluations</i>						
• Leicestershire	1,14				1,14	
• EMASU						
<i>Adjustment in respect of transfers</i>						
• Leicestershire						
• EMASU						
• EMSOU						
<b>At 31 March 2014</b>	(1,504	(4,503	(14,116		(20,123	
<b>Net book value</b>						
at 31 March 2014	48,75	3,20	3,64		55,61	3,26
at 31 March 2013	50,25	3,14	3,51	58	57,49	39

	land and buildings	vehicles	equipment	helicopter (1/3rd share)	total PPE	assets under construction
2012/13	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 April 2012	53,27	7,04	15,25	1,45	77,03	71
Additions • Leicestershire	1,64	1,38	1,03		4,06	1,52
• EMSOU		2	10		13	
• EMTSU			4		5	
Revaluations / impairments						
• Leicestershire	(4,423				(4,423	
• EMASU	4				4	
Disposals • Leicestershire		(848	(43		(891	
• EMSOU		(12			(12	
Transfers • Leicestershire	1,68		47		2,16	(1,849
<b>At 31 March 2013</b>	<b>52,22</b>	<b>7,60</b>	<b>16,87</b>	<b>1,45</b>	<b>78,16</b>	<b>39</b>
<b>Accumulated depreciation and impairment</b>						
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		71	4		75	
• EMSOU		1			1	
<i>Adjustment due to revaluations</i>						
• Leicestershire	59				59	
• EMASU						
<i>Adjustment in respect of transfers</i>						
• Leicestershire						
• EMASU						
• EMSOU						
<b>At 31 March 2013</b>	<b>(1,976</b>	<b>(4,462</b>	<b>(13,367</b>	<b>(876</b>	<b>(20,675</b>	
<b>Net book value</b>						
at 31 March 2013	50,25	3,14	3,51	58	57,49	39
at 31 March 2012	51,75	2,90	3,64	72	59,03	71

### *Transfers*

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

### *Depreciation*

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

- Buildings – 7 – 93 years
- Land – not depreciated
- Vehicles – 5 years
- Equipment – 5 – 25 years
- Helicopter - 10 years
- Assets under construction – not depreciated

### *Capital commitments*

At 31 March 2014, the OPCC has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2014/15 and future years budgeted to cost £1.8m - similar commitments at 31 March 2013 were £4.05m - the major commitments are:

- Loughborough - £1m
- Borer Replacement Programme - £264k
- Market Harborough Modernisation - £175k
- IT Tangibles – ICCS - £212k

### *Effects of Changes in Estimates*

There have been no changes in estimates.

### *Revaluations*

The figures shown in the tables above include both upward and downward revaluations of tangible non-current assets. These movements are captured in either the revaluation reserve (balance sheet) or the *other comprehensive income and expenditure* section of the comprehensive income and expenditure statement. Refer to accounting policy A10 (note 53) for further information.

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

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

2012/13 £000		2013/14 £000
18,92	<b>Opening capital financing requirement</b>	17,63
	<i>Capital investment</i>	
5,22	Operational assets	5,96
1,52	Non-operational assets	3,45
	<i>Sources of finance</i>	
(557)	Capital receipts (note 34)	(1,014)
(2,481)	Government grants & other contributions	(1,976)
(3,522)	Revenue contribution - force	(2,280)
(137)	Revenue contribution - EMSOU	(59)
(50)	Revenue contribution - EMTSU	(32)
(1,293)	Revenue provision (incl. MRP)	(1,279)
17,63	<b>Closing capital financing requirement</b>	20,40
	<b>Explanations of movements in year</b>	
(1,292)	Increase/ (decrease) in underlying need to borrow (supported by government financial assistance)	2,77
	Increase in underlying need to borrow (unsupported by government financial assistance)	
(1,292)	<b>Increase/(decrease) in capital financing requirement</b>	2,77

The figure shown above for capital expenditure during 2013/14 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:

2012/13 £000		2013/14 £000
6,74	Capital expenditure for the year (as above)	9,41
(382)	<b>Less:</b> Revenue expenditure financed from capital resources under statute (REFCUS) in the year	(346)
6,36		9,06

## 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 1<sup>st</sup> 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:

2012/13 £000	<b>Braunstone Telecommunications Mast</b>	2013/14 £000
(12)	Rental income from investment property Direct operating expenses arising from investment property	(40)
(11)	<b>Net (gain)/loss excluding movements in market value</b>	(37)

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.

In addition to the telecommunications mast, the OPCC/Group also owns a strip of land in Melton which has hitherto held no tangible value due to it being adjoined to a site owned by Leicestershire County Council. The land has no operational use or value, nor would it be realistically sold separately. During 2013/14 plans have emerged for the County Council to sell the site (including the OPCC/Group's strip of land) to a supermarket group with plans to redevelop the land that will also include a public house. It is now felt that this potential sale leads to the strip of land holding a tangible value in balance-sheet terms to the OPCC/Group. It has therefore been revalued to a market value of £285k, being the sum likely to be received by the OPCC/Group once the sale completes. This land strip has no income or expenditure streams connected to it, it is held merely for the re-sale as detailed above.

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.

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

2012/13 £000		2013/14 £000
30	<b>Balance at the start of the year</b>	24
	Purchases	
	Construction	
	Subsequent expenditure	
	Additions	
	Disposals	
(62)	Net gains/(losses)from fair value adjustments	26
	Transfers to/from inventories	
	Transfers to/from property, plant & equipment	
	Transfers	
	Other changes	
24	<b>Balance at the end of the year</b>	50

## 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 31<sup>st</sup> March 2013 Hinckley and Kilby were assets held for sale. Kilby was successfully sold in April 2013. Hinckley's sale was completed on the 1<sup>st</sup> November 2013 for £320k with the proceeds being payable in a series of instalments. This instalment plan went into arrears and resulted in the OPCC/Group exercising their rights under a *mortgagor in possession* arrangement. At 31<sup>st</sup> March 2014 £48k remained payable and was recognised as a deferred capital receipt as its recovery was certain under the terms of the *mortgagor in possession* arrangement. Since the balance sheet date, the purchaser has made further payments and settled the outstanding balance, bringing the sale to a successful conclusion.

Other properties transferred into assets held for sale as at 31<sup>st</sup> March 2014 were Oakham, Lutterworth Police Station, Market Bosworth, New Parks & the M1 Police Post.

Belgrave Road legal issues were resolved in 2013/14 which resulted in a payment of £34k to Leicester City Council to release a covenant from the property. The land and buildings were transferred into assets held for sale in 2013/14 and then subsequently sold in 2013/14.

The legal issues concerning Lutterworth were overcome in May 2013 which led to a successful sale of the police house in June 2013 for £140k and the successful sale of part of the land to Leicestershire & Rutland Fire Authority for £27.5k, however the police station land and buildings has been transferred into assets held for sale as terms have been agreed but the sale was not fully processed as at 31<sup>st</sup> March 2014.

As at 31<sup>st</sup> 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. This has now been resolved hence Oakham has been transferred back into Assets Held for Sale in 2013/14 and is currently actively being marketed.

2012/13 £000		2013/14 £000
1,32	<b>Balance at the start of the year</b>	38
	<b>Assets classified as held for sale:</b>	
	Property, plant & equipment	1,23
	Intangible assets	
	Other assets/liabilities in disposal groups	
	Revaluation losses	(42)
	Revaluation gains	
	Impairment losses	
	<b>Assets declassified as held for sale:</b>	
(65)	Property, plant & equipment	
	Intangible assets	
	Other assets/liabilities in disposal groups	
(28)	Assets sold	(60)
38	<b>Balance at the end of the year</b>	98

### 19. Assets under construction (Group & OPCC)

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

31 <sup>st</sup> March 2013 £000		31 <sup>st</sup> March 2014 £000
6	Intangible assets	19
2	Property	2,62
30	IT equipment	43
	Operational equipment	
39		3,26

### 20. Inventories (Group & OPCC)

31 <sup>st</sup> March 2013 £000		31 <sup>st</sup> March 2014 £000
15	Police uniforms	18
10	Vehicle parts and fuel	11
3	Stationery	3
1	Catering supplies	1
3	IT Equipment	
33		34

**21. Debtors (Group & OPCC)**

<b>31<sup>st</sup> March 2012 £000</b>	<b>31<sup>st</sup> March 2013 £000</b>	<b>Group</b>	<b>31<sup>st</sup> March 2014 £000</b>
		<b>Long-term debtors</b>	
6	5	Car loans to employees	5
3	21	Sundry debtors	32
<b>10</b>	<b>26</b>		<b>38</b>
		<b>Short-term debtors</b>	
10,37	5,74	Central government bodies	9,41
4,09	5,74	Local authorities	6,67
78	79	Sundry debtors	1,56
5	4	Car loans to employees	3
(4)	(4)	Less: impairment allowance	(18)
<b>15,30</b>	<b>12,32</b>		<b>17,67</b>

At the balance sheet date, 15 car loans to employees were outstanding (2012/13 – 20). The loans are made to employees who are in posts who are designated as “essential car users”, the interest rate applicable to each loan is fixed to the Bank of England base rate and is not variable during the life of the loan.

Long term sundry debtors relates to IT spend for future years’ maintenance and software licences.

Central government bodies (above) includes £6,146k (as at 31<sup>st</sup> March 2013 - £3,676k) 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 £2,194k (as at 31<sup>st</sup> March 2013 - £1,833k).

<b>31<sup>st</sup> March 2012 £000</b>	<b>31<sup>st</sup> March 2013 £000</b>	<b>OPCC</b>	<b>31<sup>st</sup> March 2014 £000</b>
		<b>Long-term debtors</b>	
3	21	Car loans to employees	32
<b>3</b>	<b>21</b>	Sundry debtors	<b>32</b>
		<b>Short-term debtors</b>	
3,26	2,02	Central government bodies	3,23
4,09	5,68	Local authorities	6,67
63	63	Sundry debtors	1,32
		Car loans to employees	
(4)	(4)	Less: impairment allowance	(18)
<b>7,98</b>	<b>8,34</b>		<b>11,20</b>

## 22. Cash & cash equivalents (Group & OPCC)

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

31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2013
£000		£000
6,250	Bank accounts & petty cash	5,900
19,010	Cash investments (less than three months maturity)	12,500
(2,020)	Adjustment for cash & cash equivalents held on behalf of joint arrangements	(2,500)
<b>23,250</b>	<b>Total cash &amp; cash equivalents</b>	<b>15,890</b>

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 31<sup>st</sup> March of each year. The impact of this interest accrual is shown below:

31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2013
£000		£000
500	Cash investments (four to twelve months maturity)	100
	Interest receivable accrued at 31 <sup>st</sup> March	
<b>510</b>	<b>Total short-term investments</b>	<b>100</b>

The 2012/13 figure for short-term investments above does not include any significant cash investments as at 31<sup>st</sup> March 2013 all outstanding investments had a maturity date of less than three months.

## 23. Deferred liabilities (Group & OPCC)

31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2013
£000		£000
(2,674)	Leicestershire County Council	(2,234)

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 <sup>st</sup> March 2012	31 <sup>st</sup> March 201	Group	31 <sup>st</sup> March 2014
£000	£000		£000
		<b>Short-term creditors</b>	
(3,596)	(3,411)	Central government bodies	(3,353)
(3,883)	(3,751)	Local authorities	(3,133)
(245)	(205)	Capital creditors	(64)
(1,042)	(895)	Salary & overtime payments	(1,175)
(1,978)	(2,680)	Sundry creditors	(2,787)
<b>(10,744)</b>	<b>(10,942)</b>		<b>(10,512)</b>

Included within the local authorities figures above are creditors in respect of the OPCC/Group's share of council tax collection fund creditors of £1,330k (as at 31<sup>st</sup> March 2013 - £1,609k)

31 <sup>st</sup> March 2012	31 <sup>st</sup> March 201	OPCC	31 <sup>st</sup> March 2014
£000	£000		£000
		<b>Short-term creditors</b>	
(65)	(95)	Central government bodies	(186)
(3,812)	(2,992)	Local authorities	(3,133)
(245)	(205)	Capital creditors	(64)
(29)	(115)	Salary & overtime payments	(119)
(1,867)	(2,452)	Sundry creditors	(2,792)
<b>(6,018)</b>	<b>(5,863)</b>		<b>(6,294)</b>

## 25. Long term borrowing (Group & OPCC)

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

31 <sup>st</sup> March 201	Maturity	31 <sup>st</sup> March 2014
£000		£000
	not more than 2 years	
(2,830)	more than 2 years - not more than 5 years	(2,830)
(6,527)	more than 5 years - not more than 10 years	(6,527)
(3,042)	more than 10 years - not more than 15 years	(3,042)
	More than 15 years	
<b>(12,399)</b>		<b>(12,399)</b>

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 <sup>st</sup> March 2013		Group	31 <sup>st</sup> March 2014	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
		<b>Financial assets</b>		
26	26	Long-term debtors	38	38
12,32	12,32	Short-term debtors	17,67	17,67
1,56	1,56	Payments in advance	1,58	1,58
51	51	Short-term investments	1	1
23,25	23,25	Cash & cash equivalents	15,89	15,89
		<b>Financial liabilities</b>		
(10,942)	(10,942)	Short-term creditors	(10,512)	(10,512)
(866)	(866)	Receipts in advance	(1,907)	(1,907)
(124)	(124)	Capital grants receipts in advance	(189)	(189)
(131)	(131)	PWLB - short term borrowing	(131)	(131)
(12,399)	(16,675)	PWLB - long term borrowing	(12,399)	(15,292)
(12)	(12)	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 31<sup>st</sup> March 2014.

31 <sup>st</sup> March 2013		OPCC	31 <sup>st</sup> March 2014	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
		<b>Financial assets</b>		
21	21	Long-term debtors	32	32
8,34	8,34	Short-term debtors	11,20	11,20
1,55	1,55	Payments in advance	1,58	1,58
51	51	Short-term investments	1	1
		Guarantee from the Police & Crime Commissioner	2,31	2,31
23,25	23,25	Cash & cash equivalents	15,89	15,89
		<b>Financial liabilities</b>		
(5,863)	(5,863)	Short-term creditors	(6,294)	(6,294)
(1,030)	(1,030)	Guarantee from the Police & Crime Commissioner		
(866)	(866)	Receipts in advance	(1,907)	(1,907)
(124)	(124)	Capital grants receipts in advance	(189)	(189)
(131)	(131)	PWLB - short term borrowing	(131)	(131)
(12,399)	(16,675)	PWLB - long term borrowing	(12,399)	(15,292)
(12)	(12)	Long-term receipts in advance	(12)	(12)



## 27. Provisions (Group & OPCC)

	Balance at 1 April 2013	additional provisions made	amounts used	unused amounts reversed	Balance at 31 March 2014
	£000	£000	£000	£000	£000
Carbon reduction commitment	(85)		8		
Civil claims	(249)	(40)	14	10	(395)
<b>Total</b>	<b>(334)</b>	<b>(40)</b>	<b>23</b>	<b>10</b>	<b>(395)</b>

The carbon reduction commitment of £0k is the estimate of the OPCC/Group's liability under this scheme at 31<sup>st</sup> March 2014 (£85k as at 31<sup>st</sup> March 2013). The OPCC/Group is assessed by its external advisers as not currently being liable for carbon reduction credits.

The civil claims provision reflects the self insured part of public and employer's liability claims where the OPCC/Group's claims handlers have advised there is a high probability of economic benefits being transferred

in the future. In addition to this specific provision, the OPCC/Group holds a civil claims reserve which holds discretionary amounts intended to smooth the impact of any claims that emerge which were not foreseen or considered likely.

## 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 <sup>st</sup> March 2013		Note	31 <sup>st</sup> March 2014
£000			£000
22,92	Earmarked reserves	30	21,59
	Capital grants and contributions unapplied	35	
5,25	General fund	31	6,00
<b>28,18</b>	<b>Total usable reserves</b>		<b>27,60</b>

## 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 <sup>st</sup> March 2012 £000	31 <sup>st</sup> March 2013 £000	Group	Note	31 <sup>st</sup> March 2014 £000
42,48	41,58	Capital adjustment account	37	40,13
1,58	75	Revaluation reserve	36	70
		Deferred Capital Receipts Reserve	40	4
17	22	Collection fund adjustment account	38	86
(1,338,096)	(1,577,438)	Pension reserve	32	(1,606,618)
(1,824)	(3,244)	Accumulated absences account	39	(3,106)
<b>(1,295,675)</b>	<b>(1,538,118)</b>	<b>Total unusable reserves</b>		<b>(1,567,966)</b>

31 <sup>st</sup> March 2012 £000	31 <sup>st</sup> March 2013 £000	OPCC	Note	31 <sup>st</sup> March 2014 £000
42,48	41,58	Capital adjustment account	37	40,13
1,58	75	Revaluation reserve	36	70
		Deferred Capital Receipts Reserve	40	4
17	22	Collection fund adjustment account	38	86
(170)	(241)	Pension reserve	32	(439)
	(6)	Accumulated absences account	39	(13)
<b>44,07</b>	<b>42,31</b>	<b>Total unusable reserves</b>		<b>41,30</b>

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

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

These reserves are earmarked for the specific purposes noted below:

Reserve name	Balance at April 2012	transfers out 2012/13	transfers in 2012/13	Balance at 31 March 2013	transfers out 2013/14	transfers in 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
Capital expenditure	1,84	(1,70)	62	76	(72)	33	37
Budget equalisation	10,67	(3,04)	3,89	11,52	(1,64)	1,92	11,81
PCSOs	2,58		35	2,94	(26)		2,67
Proceeds of Crime Act	95	(30)	15	80	(3)	10	87
Carry-forwards (specific)	2,00	(2,00)	1,45	1,45	(1,45)	2,18	2,18
Public order	1,13			1,13	(1,13)		
Civil claims	75	(30)		45			45
Pensions (general)	75			75	(75)		
Job evaluation	15			15	(15)		
Equipment replacement	14	(2)		12	(12)		
Juniper Lodge	11		10	21	(1)	1	23
Fleet insurance	10	(19)	19	10	(11)	19	18
Drug testing on charge (Counties BCU)	6			6	(6)		
PA development programme	5			5	(5)		
CRB	5			5			6
PCC transition	50	(34)		15	(15)		
IT infrastructure	3			3	(3)		
PA tribunals	2			2	(2)		
Commissioning					(17)	1,00	82
Other	2			2	(4)		2
<b>Subtotal : OPCC/Group (direct control)</b>	<b>21,96</b>	<b>(7,93)</b>	<b>6,78</b>	<b>20,82</b>	<b>(6,89)</b>	<b>5,77</b>	<b>19,70</b>
<b>Jointly Controlled Operations</b>							
EMSOU reserves - 22.8% share (12/13 - 23.1%)	25	(74)	3	21	(2)	32	51
EMTSU – 22.8% share (12/13 - 23.1%)	4			4	(4)	1	5
EMASU reserves - 1/3 share	8		6	14	(14)	1	1
Regional L&D – 22.8% Share (12/13 - 23.1%)						1	1
EMLSU - 22.8% Share (12/13 - 23.1%)							
<b>Subtotal : OPCC/Group (incl. jointly controlled reserves)</b>	<b>22,34</b>	<b>(8,00)</b>	<b>6,89</b>	<b>21,22</b>	<b>(7,07)</b>	<b>6,15</b>	<b>20,30</b>
<b>Funds held on behalf of partners</b>							
Operation Liberal	37	(5)		32	(20)		11
Regional collaboration	51	(11)	97	1,37	(41)		96
Regional Asset Recovery Team						21	21
<b>Grand total : OPCC/Group (incl. reserves held on behalf of partners)</b>	<b>23,23</b>	<b>(8,17)</b>	<b>7,86</b>	<b>22,92</b>	<b>(7,69)</b>	<b>6,36</b>	<b>21,59</b>
movement in the year			(313)			(1,328)	

A review of the Earmarked Revenue reserves was undertaken during 2013/14 by the Chief Finance Officer. The review was to ensure that reserves are either justified and maintained at the correct level or, if not required, are consolidated in a way that enables the funds to be released for other purposes. It was identified that 9 reserves were no longer required in their current form. The sums from each reserve were transferred to either the Budget Equalisation Reserve or the General Fund. The reserves that are no longer required are shown below:

- Public Order
- Pensions
- Job Evaluation
- Equipment Replacement
- Drug Testing On Charge (Counties)
- PA Development Fund
- PCC Transition
- IT Infrastructure
- PA Tribunals

### **Capital expenditure**

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

### **Budget equalisation**

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

### **Police Community Support Officers (PCSOs)**

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 2014/15.

### **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.

### **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 **£7.5k**. The reserve is to meet the cost of claims that fall below this value.

### **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.

### **Commissioning**

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

### **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 set aside to support the residual estates costs at the former East Midlands Air Support Unit site in Leicestershire. This reserve remains under the control of the formal consortium arrangement which governed EMASU's operational and financial activities.

### **Regional L&D**

This represents the OPCC/Group's share of reserves held by the Regional Learning & Development unit.

### **EMLSU**

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

### **Held on Behalf of Partners**

#### **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.

### **Regional Asset Recovery Team**

This reserve is held on behalf of the Regional Asset Recovery Team (RART) National Co-ordination Programme to develop and enhance the continued delivery of the Financial Investigation and Proceeds of Crime Portfolio over the next two years

### 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.

2012/13 £000		2013/14 £000
5,25	At 1 <sup>st</sup> April	5,25
	Movement in the year	74
5,25	At 31 <sup>st</sup> March	6,00

### 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.

2012/13 £000	Group	Note	2013/14 £000
(1,338,096)	Balance at 1 <sup>st</sup> April		(1,577,438)
(176,192)	Total remeasurements on pensions assets and liabilities (gains/losses)	33	37,06
(105,287)	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	(113,063)
26,19	Employer's pensions contributions and direct payments to pensioners payable in the year	33	27,56
15,93	Pension fund grant from the Home Office in respect of the police pension schemes		19,25
(1,577,438)	Balance at 31 <sup>st</sup> March		(1,606,618)

2012/13 £000	OPCC	Note	2013/14 £000
(170)	<b>Balance at 1<sup>st</sup> April</b>		(241)
(59)	Total remeasurements on pensions assets and liabilities (gains/losses)	33	(157)
(35)	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	(88)
2	Employer's pensions contributions and direct payments to pensioners payable in the year Pension fund grant from the Home Office in respect of the police pension schemes	33	4
<b>(241)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(439)</b>

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)

*This note reports the main pension fund of the Group. However, the OPCC is only responsible for a small share of the Local Government Pension Scheme (LGPS).*

*Where appropriate, separate numbers for the OPCC share of the LGPS have been identified.*

#### *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 31<sup>st</sup> 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 1<sup>st</sup> 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 2013/14 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 Scheme (Group Only)		Comprehensive Income & Expenditure Account	
	2012/13 Group	2012/13 OPCC (CIES)	2013/14 Group	2013/14 OPCC (CIES)	2012/13 Group	2013/14 Group	2012/13 Group	2013/14 Group
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost of services:</b>								
Current service cost	5,700	2	7,770	6	32,320	36,640	38,030	44,420
Past service cost	2		3				2	3
	5,702	2	7,803	6	32,320	36,640	38,060	44,450
<b>Financing &amp; investment income/expenditure:</b>								
Net Interest cost	1,720		2,310	2	65,490	66,280	67,220	68,600
<b>Net charge to surplus / deficit on provision of services</b>	<b>7,422</b>	<b>3</b>	<b>10,113</b>	<b>8</b>	<b>97,810</b>	<b>102,920</b>	<b>105,280</b>	<b>113,050</b>
<b>Other comprehensive income &amp; expenditure:</b>								
Return on Plan Assets (excluding the amount included in the net interest expense)	(9,020)	(4)	(1,860)	(1)			(9,020)	(1,860)
Actuarial (gains)/losses on changes demographic assumptions			4,600	4	15,080	21,120	15,080	25,730
Actuarial gains and losses arising on changes in financial assumptions	21,430	10	4,300	3	148,800	(76,380)	170,230	(72,080)
Home Office grant					(15,930)	(19,250)	(15,930)	(19,250)
Other (if applicable)	(100)	(1)	11,140	9			(100)	11,140
<b>Net charge to total comprehensive income &amp; expenditure</b>	<b>19,760</b>	<b>9</b>	<b>28,320</b>	<b>24</b>	<b>245,770</b>	<b>28,410</b>	<b>265,540</b>	<b>56,740</b>
<b>Statement of Movement in Reserves:</b>								
Reversal of items not permitted to be charged to the general fund by statute	(19,760)	(9)	(28,320)	(24)	(245,770)	(28,420)	(265,540)	(56,740)
Employer Contributions	4,840	2	5,400	4	21,330	22,100	26,190	27,560
<b>Net charge to general fund</b>	<b>4,840</b>	<b>2</b>	<b>5,400</b>	<b>4</b>	<b>21,330</b>	<b>22,100</b>	<b>26,190</b>	<b>27,560</b>
Retirement benefits payable to pensioners	n	n	n	n	n	n	n	n
<b>Analysed as:</b>								
Employers' contributions payable to schemes	4,840	2	5,400	4	19,300	19,890	24,140	25,300
Direct payments - Injury awards payable					2,030	2,210	2,050	2,260
<b>Total</b>	<b>4,840</b>	<b>2</b>	<b>5,400</b>	<b>4</b>	<b>21,330</b>	<b>22,100</b>	<b>26,190</b>	<b>27,560</b>

## Notes to the core financial statements

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme				Police Pension Schemes (Group Only)		Balance Sheet	
	2012/13 Group	2012/13 OPCC (B/Sheet)	2013/14 Group	2013/14 OPCC (B/Sheet)	2012/13 Group	2013/14 Group	2012/13 Group	2013/14 Group
	£000	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(161,520)	(77,000)	(195,850)	(1,060,000)	(1,527,070)	(1,533,320)	(1,688,590)	(1,729,170)
Fair value of plan assets	111,150	53,000	122,560	63,000			111,150	122,560
<b>Sub total</b>	<b>(50,360)</b>	<b>(24,000)</b>	<b>(73,280)</b>	<b>(43,000)</b>	<b>(1,527,070)</b>	<b>(1,533,320)</b>	<b>(1,577,430)</b>	<b>(1,606,610)</b>
Other movements in the liability (asset) (if applicable)								
<b>Net liability arising from defined benefit obligation</b>	<b>(50,360)</b>	<b>(24,000)</b>	<b>(73,280)</b>	<b>(43,000)</b>	<b>(1,527,070)</b>	<b>(1,533,320)</b>	<b>(1,577,430)</b>	<b>(1,606,610)</b>

## Notes to the core financial statements

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

	Local Government Pension Scheme				Police Pension Schemes (Group Only)	
	2012/13 Group	2012/13 OPCC	2013/14 Group	2013/14 OPCC	2012/13	2013/14
	£000	£000	£000	£000	£000	£000
Opening fair value of scheme assets	93,49	44	111,15	53		
Interest Income	4,58	2	5,09	4		
<b>Remeasurement gain/(loss)</b>						
The return on plan assets; excluding the amount included in the net interest expense	9,02	4	1,86	7		
Other (if applicable)						
The effect of changes in foreign exchange rates						
Contributions from employer	4,84	2	5,40	4	21,35	22,16
Employer Contributions (Top Up Grant)					15,93	19,25
Contributions from employees into the scheme	2,06	7	2,19	7	9,12	9,54
Benefits paid	(2,85)	(1)	(3,14)	(2)	(46,41)	(50,96)
Other (if applicable)						
<b>Closing fair value of scheme assets</b>	<b>111,15</b>	<b>53</b>	<b>122,56</b>	<b>63</b>		

## Notes to the core financial statements

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

	Local Government Pension Scheme				Police Pension Schemes (Group Only)	
	2012/13 Group	2012/13 OPCC	2013/14 Group	2013/14 OPCC	2012/13	2013/14
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April 2013	(128,94)	(61)	(161,52)	(77)	(1,302,64)	(1,527,07)
Current Service Cost	(5,70)	(2)	(7,77)	(6)	(32,32)	(36,64)
Interest Cost	(6,30)	(3)	(7,41)	(6)	(65,49)	(66,28)
Contributions from scheme participants	(2,06)	(1)	(2,19)	(2)	(9,12)	(9,54)
<b>Remeasurement (gains) and losses</b>						
Actuarial gains/losses arising from changes in demographic assumptions			(4,60)	(4)	(15,08)	(21,12)
Actuarial gains/losses arising from changes in financial assumptions	(21,43)	(10)	(4,30)	(3)	(148,80)	76,38
Other (if applicable)	10		(11,14)	(9)		
Past service cost						
Losses/(gains) on curtailment (where relevant)	(2)		(3)			
Liabilities assumed on entity combinations						
Benefits paid	2,85	1	3,14	2	46,4	50,96
Liabilities extinguished on settlements (where relevant)						
<b>Closing balance at 31 March</b>	<b>(161,52)</b>	<b>(77)</b>	<b>(195,85)</b>	<b>(1,06)</b>	<b>(1,527,07)</b>	<b>(1,533,32)</b>

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

The actual return on scheme assets in the year for the LGPS was £1.9m (2012/13 - £13.6m).

The liabilities show the underlying commitments that the OPCC/Group has in the long run to pay retirement benefits. The total liability of £1,607m 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 £1,540m. 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. With effect from 1<sup>st</sup> April 2013 (valuation date 31/3/2013) the employer's contribution rate has increased to 15.7% (15.2% for 2012/13) and is due to rise to 16.7% in 2014/15. The next valuation on the LGPS (for employer contribution purposes) will be as at 31/3/16 and will take place during 2016/17. It is expected that any change to the employer contribution rate will take effect from 1<sup>st</sup> April 2017. The deficit on the LGPS scheme has increased by £8m between March 2010 and March 2014.

- 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.

## Basis for Estimating Assets and Liabilities

	Local Gov't Scheme		Police Schemes	
	2012/13	2013/14	2012/13	2013/14
	Years	Years	Years	Years
<b>Long term expected rate of return on assets in the scheme</b>				
Equity investments	4.5%	n/a	-	-
Bonds	4.5%	n/a	-	-
Other	4.5%	n/a	-	-
<b>Mortality assumptions:</b>				
<b>Longevity at 65 (60 for police schemes) for current pensioners:</b>				
- Men	20.9	22.2	27.4	27.0
- Women	23.3	24.3	29.7	30.0
<b>Longevity at 65 (60 for police schemes) for future pensioners:</b>				
- Men	23.3	24.2	29.4	29.5
- Women	25.6	26.6	31.7	32.1

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

	Local Gov't Scheme		Police Schemes	
	2012/13	2013/14	2012/13	2013/14
<ul style="list-style-type: none"> <li>rate of inflation (increase or decrease by 1%)</li> <li>rate of increase in salaries (increase or decrease by 1%)</li> <li>rate of increase in pensions (increase or decrease by 1%)</li> <li>rate for discounting scheme liabilities (increase or decrease by 1%)</li> </ul>	3.6%	3.6%	2.4%	2.4%
	5.1%	4.6%	3.9%	3.9%
	2.8%	2.8%	2.4%	2.4%
	4.5%	4.3%	4.4%	4.5%

## Notes to the core financial statements

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

Local Government Pension Scheme assets comprised

2012/13 Group	2012/13 OPCC	Fair Value of Scheme Assets	2013/14 Group	2013/14 OPCC
£000	£000		£000	£000
2,52	1	<b>Cash and cash equivalents</b>	2,78	1
		<i>Equity instruments: by industry type</i>		
		Consumer		
		Manufacturing		
		Energy and utilities		
		Financial institutions		
		Health and care		
		Information technology		
4,08	2	Other	4,50	2
<b>4,08</b>	<b>2</b>	<b>Sub total equity</b>	<b>4,50</b>	<b>2</b>
		<i>Bonds: by sector</i>		
1,37		UK Government	1,51	
7,94	3	Other	8,76	4
<b>9,32</b>	<b>4</b>	<b>Sub total bonds</b>	<b>10,27</b>	<b>5</b>
		<i>Property: by type</i>		
10,35	5	UK Property	11,45	5
		Overseas Property		
<b>10,35</b>	<b>5</b>	<b>Sub total property</b>	<b>11,45</b>	<b>5</b>
		Private equity		
4,36	2	All	4,81	2
<b>4,36</b>	<b>2</b>	<b>Sub total private equity</b>	<b>4,81</b>	<b>2</b>
		Other investment funds		
56,04	26	Equities	61,79	31
7,31	3	Bonds	8,06	4
3,79	1	Hedge Funds	4,18	2
5,03	2	Commodities	5,53	2
2,52	1	Infrastructure	2,78	1
5,76	2	Other	6,35	3
<b>80,47</b>	<b>38</b>	<b>Sub total other investment funds</b>	<b>88,73</b>	<b>45</b>
		Derivatives		
		Forward foreign exchange contracts		
<b>111,15</b>	<b>53</b>	<b>Total assets</b>	<b>122,56</b>	<b>63</b>

## Restatement of prior period balances in respect of changes to IAS 19

With the application of the changes to IAS 19 that were outlined in the 2012/13 statement of accounts, there was a requirement to restate the 2012/13 accounts. The adjusted requirements of IAS 19 saw a change to the disclosure requirements that have affected how the note above is presented. However there were also a number of changes to the Comprehensive Income & Expenditure Statement (CIES) for 2012/13 which are identified below. Please note that the restatement did not have an impact on the 2012/13 Balance Sheet.

CIES Heading (Group)	2012/13 (Audited) £000	Adjustment due to IAS 19 £000	2012/13 (Restated) £000
<b>Cost of Services</b>			
Current Cost adjustment	11,04	78	11,83
Corporate & Democratic Core	1,14		1,14
<b>Financing and Investment Income &amp; Expenditure</b>			
Net Interest Expense	67,42	(20)	67,22
<b>Other Comprehensive Income &amp; Expenditure</b>			
Actuarial Gains/Losses on Pensions	176,78	(59)	176,19
<b>Total overall movement on the CIE</b>	<b>n</b>		<b>n</b>

The figures shown above are the Group position, the vast majority of which impacts the OCC's CIES with a small adjustment made to the OPCC's CIES.

## **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.

2012/13 £000		2013/14 £000
55	Capital receipts received in the year	1,01
(55)	Amounts applied to finance new capital investment in the year	(1,01)
	<b>Total increase / (decrease) in realised capital receipts in the year</b>	
	Balance brought forward at 1 <sup>st</sup> April	
	<b>Balance carried forward at 31<sup>st</sup> March</b>	

### 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 Receipts in Advance line on the face of the balance sheet.

2012/13 £000		2013/14 £000
1,756	Amounts receivable in the year	1,574
(1,756)	Amounts transferred in respect of a regional capital project	(1,574)
(4)	Amounts applied to finance new capital investment in the year	(4)
	<b>Total increase / (decrease) in the year</b>	
	Balance brought forward at 1 <sup>st</sup> April	
	<b>Balance carried forward at 31<sup>st</sup> March</b>	

### 36. Revaluation reserve (Group & OPCC)

The revaluation reserve contains the residual gains (since 1<sup>st</sup> 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.

2012/13 Group £000		2013/14		
		OPCC £000	EMASU (1/3) £000	Group £000
	<b>Movements in unrealised value of non-current assets</b>			
5	Gains on upward revaluation of non-current assets			
(880)	Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services	(10)	-	(10)
	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	(4)		(4)
(829)	<b>Total movement on reserve in the year</b>	(4)		(4)
1,58	<b>Opening balance at 1<sup>st</sup> April</b>	69	6	75
75	<b>Closing balance at 31<sup>st</sup> March</b>	64	6	70



### 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.

2012/13	(See note 1 for further details)	2013/14				
		OPCC	EMSOU	EMTSU	EMASU	Group
		(22.8%)	(22.8%)	(1/3)		
£000		£000	£000	£000	£000	£000
(5,12)	Depreciation/amortisation charge in year	(3,65)	(8)	(1)	(	(3,75)
(	Amounts transferred from revaluation reserve in respect of depreciation/amortisation	(				(
(2,94)	Transfer from Comprehensive Income & Expenditure Statement in respect of non-current asset revaluation	(1,64)	(74)			(2,38)
	Revaluation on non-current assets held for sale	(4)				(4)
(38)	Revenue Expenditure funded from Capital under Statute (REFCUS)	(34)				(34)
	Transfer from revaluation reserve in respect of residual gains held at the point of disposal of a non-current asset	4				4
(42)	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	(1,25)	(		(61)	(1,86)
(8,87)	<b>Net amount written-out of the cost of non-current assets consumed in the year</b>	<b>(6,89)</b>	<b>(82)</b>	<b>(1)</b>	<b>(61)</b>	<b>(8,35)</b>
3,70	Capital expenditure charged against the general fund	2,28	5	3		2,37
53	Use of the capital receipts reserve to finance new capital expenditure	1,01				1,01
2,47	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,96				1,97
	Application of grants to capital financing from the capital grants unapplied account					
84	Revenue provision (including MRP)	79				79
44	Voluntary revenue provision for capital financing	48				48
(6)	Movements in the market value of investment properties charged to the Comprehensive Income & Expenditure Statement	26				26
	Share of EMSOU capital purchase funded by Leicestershire borrowing and use of grant	(1,72)	1,72			
(89)	<b>Total movement during the year</b>	<b>(1,81)</b>	<b>96</b>	<b>1</b>	<b>(61)</b>	<b>(1,44)</b>
42,48	Opening balance at 1 <sup>st</sup> April	40,55	23	6	73	41,58
41,58	<b>Closing balance at 31<sup>st</sup> March</b>	<b>38,73</b>	<b>1,19</b>	<b>8</b>	<b>12</b>	<b>40,13</b>

### 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 2012/13 and 2013/14, 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
<b>2013/14</b>										
Council tax arrears	31	51	24	20	1,27	27	10	28	5	3,28
Impairment allowance for bad/doubtful debts	(9)	(20)	(6)	(6)	(63)	2	(3)	(17)	(9)	(1,25)
Council tax overpayments & prepayments	(8)	(15)	(10)	(9)	(22)	(5)	(4)	(8)	(2)	(87)
Collection fund (surplus) / deficit	(7)	(6)	(2)	(5)	(40)		(7)	(10)	(6)	(86)
Cash	(5)	(9)	(4)			(25)	5	7	3	(28)
<b>2012/13</b>										
Council tax arrears	31	47	24	16	1,07	23	8	25	5	2,89
Impairment allowance for bad/doubtful debts	(9)	(18)	(6)	(4)	(48)	(1)	(2)	(14)	(9)	(1,06)
Council tax overpayments & prepayments	(2)	(15)	(6)	(7)	(18)	(4)	(3)	(7)	(1)	(67)
Collection fund (surplus) / deficit	(7)	2	(2)		(11)	2	(2)	(3)	(1)	(22)
Cash	(11)	(16)	(9)	(4)	(29)	(19)			(8)	(92)

The OPCC/Group's collection fund adjustment  
The OPCC for Leicestershire

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account therefore has a credit balance (surplus) of **£864k** at 31<sup>st</sup> March 2014 (2012/13– credit balance of

£224k).

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

2012/13 £000		2013/14 £000
17	<b>Balance at 1<sup>st</sup> April</b>	22
4	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	64
22	<b>Balance at 31<sup>st</sup> March</b>	86

## 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 31<sup>st</sup> March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

In 2013/14 Police Officer & Police Staff RDIL & TOIL decreased from £1.79m to £1.56m. This significant reduction was due to reductions in officer & staff numbers and the forces Resource Planning Department implementing a procedure on allocation of RDIL & TOIL. The procedure aims to reduce the amount of TOIL & RDIL accrued in a given period by allocating the days owed within 3 months. The change means individuals are no longer building up large amounts of days in lieu.

The consequence of officers & staff now having to take RDIL & TOIL within 3 months is that annual leave has increased by £100k. This is to be expected as officers & staff are taking more time off using RDIL & TOIL rather than using their annual leave allocation.

2012/13 £000	<b>Group</b>	2013/14 £000
(1,824)	<b>Balance at 1<sup>st</sup> April</b>	(3,244)
1,824	Reversal of opening accrual made at the end of the preceding year	3,244
(3,244)	Amounts accrued at the end of the current year	(3,106)
(1,420)	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	136
(3,244)	<b>Balance at 31<sup>st</sup> March</b>	(3,106)

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

2012/13 £000	OPCC	2013/14 £000
	<b>Balance at 1<sup>st</sup> April</b>	(6)
(6)	Reversal of opening accrual made at the end of the preceding year	(13)
(6)	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	
(6)	<b>Balance at 31<sup>st</sup> March</b>	(13)

#### 40. Deferred Capital Receipts Reserve

The sale of a building in Hinckley was completed during 2013/14 although not all disposal proceeds had been received at the balance sheet date. There was, however, an agreement in place which guaranteed the receipt of the remaining funds. The amounts shown below have been accrued into the Deferred Capital Receipts Reserve once their receipt became guaranteed. These receipts have been realised in the CIES as part of the gain/loss on disposal of assets and feature within the Group/OPCC debtors at the balance sheet date. Further monies have been received since the balance sheet date. Please refer to the Assets Held for Sale note (note 18) for further information.

2012/13 £000		2013/14 £000
	Deferred Capital Receipts Received	(48)
	<b>Total deferred capital receipts in the year</b>	<b>(48)</b>
	Balance brought forward at 1 <sup>st</sup> April	
	<b>Balance carried forward at 31<sup>st</sup> March</b>	<b>(48)</b>

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

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

2012/13 OPCC £000	2012/13 Group £000		Note	2013/14 OPCC £000	2013/14 Group £000
(4,034)	(4,034)	Depreciation		(3,152)	(3,152)
		Impairment and downward valuations		(42)	(42)
(1,088)	(1,088)	Amortisation		(601)	(601)
		Increase/(decrease) in impairment bad debts		(14)	(14)
(3,552)	(210)	Increase/(decrease) in creditors/RIA		1,73	(753)
56	(2,779)	Increase/(decrease) in debtors/PIA		3,01	5,49
9	9	Increase/(decrease) in inventories			
(13)	(79,089)	Movement in pension liability		(40)	(85,497)
(42)	(42)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		(1,862)	(1,862)
(392)	(1,805)	Other non-cash items charged to the net surplus or deficit on the provision of services		(162)	(162)

## Notes to the core financial statements

8,84	(89,32)		(1,12)	(86,43)
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### 41.2 adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities.

2012/13 OPCC £000	2012/13 Group £000		2013/14 OPCC £000	2013/14 Group £000
		Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)		
55	55	Proceeds from the sale of PP&E, investment property and intangible assets.	1,01	1,01
2,47	2,47	Any other items for which the cash effects are investing or financing flows	1,97	1,97
<b>3,03</b>	<b>3,03</b>		<b>2,99</b>	<b>2,99</b>

### 41.3 net cash flows from operating activities include the following items:

2012/13 OPCC £000	2012/13 Group £000		2013/14 OPCC £000	2013/14 Group £000
1,81	157,98	Payments made in respect of employees, ill-health pensioners and injury awards	(7)	158,45
81	81	Interest paid	79	79
(55,91)	(55,91)	Council tax (Precept) income	(49,38)	(49,38)
(45,49)	(45,49)	National non-domestic rates income	(43,30)	(43,30)
(882)	(882)	Revenue support grant income		
(67,31)	(67,31)	Police grant income	(80,89)	(80,89)
(1,05)	(11,16)	Other grant income	(76)	(3,89)
(24)	(24)	Interest received	(152)	(152)

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. 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 - £2,675k (2012/13- £3,676k).

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

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

2012/13 OPCC £000	2012/13 Group £000		2013/14 OPCC £000	2013/14 Group £000
6,78	6,78	Capital expenditure in the year	9,55	9,55
(55)	(55)	Capital receipts received in the year	(1,01)	(1,01)
(2,44)	(2,44)	Capital grants & contributions received in the year	(2,04)	(2,04)
49	49	Net movement in short-term investments	(49)	(49)
<b>4,28</b>	<b>4,28</b>	<b>Total Investing Activities cash flows</b>	<b>6,00</b>	<b>6,00</b>

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

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

2012/13 OPCC £000	2012/13 Group £000		2013/14 OPCC £000	2013/14 Group £000
43	43	Repayment of short/long term borrowing – PWLB Repayment of deferred liabilities – Leicestershire County Council debt	43	43
<b>43</b>	<b>43</b>	<b>Total Financing Activities cash flows</b>	<b>43</b>	<b>43</b>

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

In understanding this note, the reader is recommended to have reference to the 2012/13 Annual Financial Report for the Office of the Police & Crime Commissioner for Leicestershire and in particular the section entitled “Accounting changes caused by the Police Reform and Social Responsibility Act 2011” starting on page 13.

On 1<sup>st</sup> April 2014 the second stage of structural and governance changes brought about by the Police Reform and Social Responsibility Act 2011 (and refined by local arrangements) took place. Stage 2 saw the police staff who are not directly employed by the Police & Crime Commissioner transfer to the employment of the Chief Constable. The Police & Crime Commissioner retained employment of the staff within his office (under the direction of the Chief Executive) and those individuals undertaking corporate communications, public engagement and telephone surveys.

No long-term assets (i.e. property, vehicles, IT and operational equipment) or usable reserves transferred to the Chief Constable, all remaining the property of the Police & Crime Commissioner. The bank accounts and all contracts remain in the name of the Police & Crime Commissioner with the Chief Constable granted a degree of delegated authority via the Corporate Governance Framework.

As the changes made on 1<sup>st</sup> April 2014 effectively ratified the informal arrangements that had been in place since the Police & Crime Commissioner’s election in November 2012, the decision has been taken that substance should outweigh the legal form before and after 1<sup>st</sup> April 2014. Both the accounts for the Group/OPCC and Office of the Chief Constable are therefore produced on the basis of the position on/after the 1<sup>st</sup> April 2014. At this time, no further changes in accounting policy or methodology are known.

### **45. Accounting standards issued, not adopted (Group & OPCC)**

#### ***Title of new standard***

*IFRS 10 Consolidated Financial Statements*

#### ***Nature of change in accounting policy***

This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts.

#### ***Date of application of new standard***

The revised standard will apply to the accounting period beginning 1<sup>st</sup> April 2014.

#### ***Impact of the introduction of new standard***

The PCC group currently comprises of the PCC and Chief Constable. There are partnerships with other agencies but none of them will lead to disclosure as an associate. The regional collaboration work is considered within Joint Arrangements below. No impact is expected on the 2013/14 statement of accounts

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#### ***Title of new standard***

*IFRS 11 Joint Arrangements*

#### ***Nature of change in accounting policy***

This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities.

#### ***Date of application of new standard***

The revised standard will apply to the accounting period beginning 1<sup>st</sup> April 2014.

#### ***Impact of the introduction of new standard***

The authority's regional collaboration work within the East Midlands falls under the category of a jointly controlled operation and will not be affected by the new requirements.

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#### ***Title of new standard***

*IFRS 12 Disclosures of Involvement with Other Entities*

#### ***Nature of change in accounting policy***

This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

#### ***Date of application of new standard***

The revised standard will apply to the accounting period beginning 1<sup>st</sup> April 2014.

#### ***Impact of the introduction of new standard***

The authority has a number of arrangements with other entities that will require review and consideration against the requirements of this standard and materiality.



### **46. 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 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.

### **47. Critical judgements in applying accounting policies (Group & OPCC)**

In applying the accounting policies set out in Note 53, 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.

#### 48. 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<sup>st</sup> March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

item	uncertainty	effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the OPCC/Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £23k 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 2013/14, the OPCC's actuaries advised that the net pensions liability had increased by £29m as a result of estimates being corrected as a result of experience and updating of the assumptions.
<b>Sensitivity of pension liabilities: Local Government Pension Scheme</b>		
<i>Change in assumptions</i>		£000
0.5% decrease in real discount rate		24,440
1 year increase in member life expectancy		5,875
0.5% increase in salary increase rate		10,273
0.5% increase in the pension increase rate		13,616
<b>Sensitivity of pension liabilities: Police Pension Schemes</b>		
<i>Change in assumptions</i>		£000
0.1% increase in real discount rate		1,502,063
1 year increase in member life expectancy		1,560,246
0.1% increase in salary increase rate		1,565,331
Police pension schemes	Top-up grant receivable from Home Office to cover deficit on schemes is 100%	If top-up grant is cut from 100% to 90% the cost to OPCC/Group could be approximately £1.9m per annum

### **49. Material items of income and expense (Group & OPCC)**

None currently.

### **50. Impairment losses (Group & OPCC)**

There were no impairment losses realised during either 2013/14 or 2012/13 for either the OPCC or the Group.

### **51. Termination benefits (Group & OPCC)**

The OPCC/Group terminated the contracts of a number of employees in 2013/14, incurring liabilities of £94k (£157k in 2012/13) – see Note 7 for the number of exit packages and total cost per band. The £94k 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.

### **52. 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 4.01% of total income (2012/13 – 4.30%). 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 0.10% of the total debtors value (2012/13 – 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*

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.

## 53. Accounting policies used by the Group & OPCC

It should be noted that all Accounting Policies are harmonised across the group and are applied to the OPCC, OCC and Group consistently. One version of the accounting policies exists and is reproduced here for information.

### 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 2013/14 financial year and its position at the year-end of 31<sup>st</sup> March 2014. 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 2013/14* (the Code) and the *Service Reporting Code of Practice 2014/15* (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  
The OPCC for Leicestershire

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 46 – 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 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.

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

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

Depreciation is calculated on the following bases:

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

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

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

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

### ***Disposals 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. Where assets are funded by grants or contributions from other bodies that are repayable when the asset is disposed of, appropriate adjustments are made on disposal to recognise a liability.

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

## ***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 amortisation. 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 amortisation 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. A gain, 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 non-current 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

grant use of rooms or offices within the landlord's property. These arrangements (often used as community/beat offices for local police officers) are reviewed to assess the substance of the transaction using such criteria as:

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

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

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 (Group Accounts) – Defined Benefit Pension Schemes.

**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 1<sup>st</sup> April as future pay increases may be subject to change).

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

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

***Termination benefits***

Termination benefits are amounts payable as a result of a decision by the 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.

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.

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 2014/15* (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 31<sup>st</sup> 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 as EMSOU
- 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 31<sup>st</sup> March 2014. 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, 22.8% to EMSOU, EMSOU-MC, EMCHRS-OHU and EMTSU and 26.1% to EMCHRS-LDU and EMLSU.

During the course of 2013/14, EMASU's former operational responsibilities transferred to the National Police Air Service (NPAS) hosted by West Yorkshire Police. Several operational assets (most notably the helicopter) transferred to West Yorkshire Police with effect from 3<sup>rd</sup> October 2013. The hangar/buildings did not transfer however and are still held under the existing consortium agreement with costs being recharged to West Yorkshire Police. At 31<sup>st</sup> March 2014, the consortium is still in operation whilst remaining remedial works are completed on the buildings. Once those works are completed, further work to refine how the hangar remains in joint ownership going forward will be undertaken.

### **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 except in circumstances where their effect is considered to have already taken place using the "substance over form convention".

### **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

(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 has been informed by external advisers that it no longer meets the criteria for entry into the carbon reduction commitment scheme. Therefore all historic liabilities are now settled and no further liability is foreseen at this time. The OPCC/Group's requirement to account for its liabilities under this scheme are subject to regular review.

## 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:

2012/13 £000		2013/14 £000
	<b>Contributions receivable:</b>	
	<b>OPCC/Group</b>	
(18,488)	■ employer's contributions	(17,682)
(811)	■ early retirements	(2,217)
(4)	■ reimbursement of unabated pensions of '30+' officers	
(9,124)	■ officers' contributions	(9,542)
(28,427)		(29,441)
(33)	<b>Transfers in from other pension schemes</b>	(763)
	<b>Benefits payable:</b>	
33,066	■ pensions	35,250
10,344	■ commutations and lump sum retirement benefits	10,100
1,042	■ ill-health commutations and lump sum retirement benefits	3,300
24	■ lump sum death benefits	250
44,699		48,910
	<b>Payments to and on account of leavers:</b>	
	■ refund of contributions	1
	■ transfers out to other police authorities	53
		54
<b>15,939</b>	<b>Net amount payable for the year</b>	<b>19,257</b>
<b>(15,939)</b>	<b>Additional contribution from the OPCC/Group</b>	<b>(19,257)</b>

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

31 March 2013 £000		31 March 2014 £000
3,671	<b>Current assets</b>	
	Contributions due from the OPCC/Group	6,140
22	<b>Current liabilities</b>	
	Unpaid pensions benefits	

3,89	6,14
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## 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 53, 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 recalculation by the Government Actuary's Department. The last recalculation was as at 31/3/2008 and the next recalculation date is unknown.

2012/13 %		2013/14 %
24.2	Employer's contribution level	24.2
12.2	Employees' contribution level	
10.5	■ 1987 scheme	13.5
	■ 2006 scheme	11.5

- 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 2013/14, the OPCC/Group contributed £45k (2012/13 - £353k) to EMASU.

During the course of 2013/14, EMASU's former operational responsibilities transferred to the National Police Air Service (NPAS) hosted by West Yorkshire Police. Several operational assets (most notably the helicopter) transferred to West Yorkshire Police with effect from 3<sup>rd</sup> October 2013. The hangar/buildings did not transfer however and are still held under the existing consortium agreement with costs being recharged to West Yorkshire Police. At 31<sup>st</sup> March 2014, the consortium is still in operation whilst remaining remedial works are completed on the buildings. Once those works are completed, further work to refine how the hangar remains in joint ownership going forward will be undertaken.

## Comprehensive Income & Expenditure Statement

- presented in a subjective analysis format

2012/13 Outturn £000		2013/14 Outturn £000
34	Employees' expenses	13
4	Premises	2
69	Transport	33
3	Supplies and services	1
3	Agency & contracted services	2
	Revenue expenditure financed from capital resources	
48	Depreciation & amortisation	1
<b>1,63</b>	<b>Gross operating expenditure</b>	<b>55</b>
(280)	Other income	(29)
	Profit/loss on disposal of non-current assets	1,83
<b>1,35</b>	<b>Amount to be met by partners</b>	<b>2,35</b>
(1,058)	Contributions from partners	(136)
	External grants	
<b>29</b>	<b>(Surplus) / deficit on provision of services</b>	<b>2,21</b>
(149)	(Surplus) / deficit on revaluation on non-current assets	(3)
<b>(149)</b>	<b>Other comprehensive income and expenditure</b>	<b>(3)</b>
<b>14</b>	<b>Total comprehensive income and expenditure</b>	<b>2,21</b>

## 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 unusab reserves	Total EMASU Reserves
<b>2013/14</b>							
No	4	5	5	5	5	5	5
	£00	£00	£00	£00	£00	£00	£00
<b>Balance as at 1<sup>st</sup> April 2013</b>	42	42	2,21	18	(	2,39	2,82
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services	(2,21	(2,21					(2,21
Other comprehensive income & expenditure							
<b>Total comprehensive income &amp; expenditure</b>	(2,21	(2,21					(2,21
Adjustments between accounting basis & funding basis under regulations	1,84	1,84	(1,84			(1,84	
<b>Net increase/(decrease) before transfers to/from earmarked reserves</b>	(37	(37	(1,84			(1,84	
Transfers (to)/from earmarked reserves							
<b>Increase/(decrease) in 2013/14</b>	(37	(37	(1,84			(1,84	(2,21
<b>Balance as at 31<sup>st</sup> March 2014</b>	4	4	37	18	(	55	60

	EMASU reserve	Total usable reserves	CAA	Revaluation Reserve	Employee Benefits	Total unusab reserves	Total EMASU Reserves
<b>2012/13</b>							
No	4	5	5	5	5	5	5
	£00	£00	£00	£00	£00	£00	£00
<b>Balance as at 1<sup>st</sup> April 2012</b>	22	22	2,69	3		2,73	2,96
<b>Movement in reserves during 2012/13</b>							
Surplus or (deficit) on the provision of services	(29	(29					(29
Other comprehensive income & expenditure	14	14					14
<b>Total comprehensive income &amp; expenditure</b>	(14	(14					(14
Adjustments between accounting basis & funding basis under regulations	33	33	(48	14	(	(33	
<b>Net increase/(decrease) before transfers to/from earmarked reserves</b>	19	19	(48	14	(	(33	(14
Transfers (to)/from earmarked reserves							
<b>Increase/(decrease) in 2012/13</b>	19	19	(48	14	(	(33	(14
<b>Balance as at 31<sup>st</sup> March 2013</b>	42	42	2,21	18	(	2,39	2,82



## Balance Sheet

31 <sup>st</sup> Marc 2013		Note	31 <sup>st</sup> Marc 2014
£000			£000
	<b>Non-Current Assets</b>		
2,39	Property, Plant & Equipment	1	55
<b>2,39</b>	<b>Total Long Term Assets</b>		<b>55</b>
	<b>Current Assets</b>		
40	Short Term Debtors	2	1
21	Cash & Cash Equivalents		45
	<b>Current Liabilities</b>		
(19)	Short Term Creditors	3	(41)
(2)	Provision for Accumulated Absences		
	Receipt in Advance		
<b>42</b>	<b>Net current assets</b>		<b>4</b>
<b>2,81</b>	<b>Net assets / (Liabilities)</b>		<b>60</b>
42	Usable Reserves	4	4
2,39	Unusable Reserves	5	55
<b>2,81</b>	<b>Total Reserves</b>		<b>60</b>

## 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, equipment and vehicle valuations are 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

2013/14	Helicopter £000	Hanger £000	Equipment £000	Vehicles £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2013	4,378	57	28	2	5,267
Additions					
Revaluations / impairments		(10)			(10)
Disposals	(4,378)		(276)		(4,654)
<b>At 31 March 2014</b>		<b>56</b>		<b>2</b>	<b>59</b>
<b>Accumulated depreciation and impairment</b>					
At 1 April 2013	(2,627)	(14)	(200)	(26)	(2,867)
Depreciation charge		(14)	(7)		(15)
Disposals	2,627		19		2,825
Adjustment due to revaluations		1			1
<b>At 31 March 2014</b>		<b>(14)</b>	<b>(3)</b>	<b>(26)</b>	<b>(43)</b>
<b>Net book value</b>					
at 31 March 2014		55			55
at 31 March 2013	1,751	56	8		2,395

2012/13	Helicopter £000	Hanger £000	Equipment £000	Vehicles £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2012	4,378	43	28	2	5,121
Additions					
Revaluations / impairments		13			13
Disposals					
<b>At 31 March 2013</b>	<b>4,378</b>	<b>57</b>	<b>28</b>	<b>2</b>	<b>5,267</b>
<b>Accumulated depreciation and impairment</b>					
At 1 April 2012	(2,188)	(10)	(172)	(20)	(2,390)
Depreciation charge	(438)	(14)	(28)	(6)	(486)
Disposals					
Adjustment due to revaluations		1			1
<b>At 31 March 2013</b>	<b>(2,627)</b>	<b>(14)</b>	<b>(200)</b>	<b>(26)</b>	<b>(2,867)</b>
<b>Net book value</b>					
at 31 March 2013	1,751	56	8		2,395
at 31 March 2012	2,188	42	11		2,731

**2. Debtors**

<b>31<sup>st</sup> March 2013</b>		<b>31<sup>st</sup> March 2014</b>
<b>£000</b>		<b>£000</b>
25	Central Government Bodies	
15	Other Local Authorities	
	Sundry debtors	1
<b>40</b>		<b>1</b>

**3. Creditors**

<b>31<sup>st</sup> March 2013</b>		<b>31<sup>st</sup> March 2014</b>
<b>£000</b>		<b>£000</b>
(28)	Central Government Bodies	
(63)	Other Local Authorities	(413)
(103)	Sundry creditors	(1)
<b>(194)</b>		<b>(414)</b>

**4. Transfers to/from usable reserve**

This reserve contains resources set aside to meet future unbudgeted expenditure

<b>31<sup>st</sup> March 2013</b>		<b>31<sup>st</sup> March 2014</b>
<b>£000</b>		<b>£000</b>
22	balance at 1 April	42
	transfers out	(424)
19	transfers in	4
<b>42</b>	<b>balance at 31 March</b>	<b>4</b>

## 5. Unusable reserves

## Capital Adjustment Account

2012/13 £000		2013/14 £000
(486)	Depreciation/amortisation charge in year 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	(15)
	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	(1,830)
(482)	<b>Net amount written-out of the cost of non-current assets consumed in the year</b>	<b>(1,842)</b>
	Capital expenditure charged against the general fund	
(482)	<b>Total movement during the year</b>	<b>(1,842)</b>
2,69	Opening balance at 1 <sup>st</sup> April	2,21
<b>2,21</b>	<b>Closing balance at 31<sup>st</sup> March</b>	<b>37</b>

## Revaluation Reserve

2012/13 £000		2013/14 £000
	<b>Movements in unrealised value of non-current assets</b>	
15	Gains on upward revaluation of non-current assets Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services	
(4)	Transfer to capital adjustment account in respect of non-current asset depreciation (on a revaluation gain) Transfer to capital adjustment account in respect of residual gains held at the point of disposal of a non-current asset	(3)
<b>14</b>	<b>Total movement on reserve in the year</b>	
<b>3</b>	<b>Opening balance at 1<sup>st</sup> April</b>	<b>18</b>
<b>18</b>	<b>Closing balance at 31<sup>st</sup> March</b>	<b>18</b>

## Accumulated absences account

2012/13 £000		2013/14 £000
	<b>Balance at 1<sup>st</sup> April</b>	(2)
(2)	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)	<b>Balance at 31<sup>st</sup> March</b>	

The East Midlands Special Operations Unit (EMSOU) was formed on the 1<sup>st</sup> 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 2013/14, the OPCC/Group contributed £1,970k (2012/13 - £1,911k) to EMSOU.

## Comprehensive Income & Expenditure Statement

- *presented in a subjective analysis format*

2012/13 Outturn £000		2013/14 Outturn £000
6,48	Employees' expenses	7,05
95	Premises	51
66	Transport	68
1,27	Supplies and services	1,44
11	Agency & contracted services	6
	Revenue expenditure financed from capital resources	
28	Depreciation & amortisation	35
<b>9,77</b>	<b>Gross operating expenditure</b>	<b>10,10</b>
(15)	Other income	(19)
(1)	Profit/loss on disposal of non-current assets	
<b>9,62</b>	<b>Amount to be met by partners</b>	<b>9,91</b>
(7,95)	Contributions from partners	(12,42)
(1,73)	External grants	(2,51)
	Taxation & non-specific grant income	(4,82)
<b>(6)</b>	<b>(Surplus) / deficit on provision of services</b>	<b>(9,85)</b>
	(Surplus) / deficit on revaluation on non-current assets	3,26
	<b>Other comprehensive income and expenditure</b>	<b>3,26</b>
<b>(6)</b>	<b>Total comprehensive income and expenditure</b>	<b>(6,58)</b>

## 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

	EMSOU reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU reserves
2013/14	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 <sup>st</sup> April 2013	27	63	90	90	(11)	79	1,69
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services	9,85		9,85				9,85
Other comprehensive income & expenditure	(3,26)		(3,26)				(3,26)
<b>Total comprehensive income &amp; expenditure</b>	<b>6,58</b>		<b>6,58</b>				<b>6,58</b>
Adjustments between accounting basis & funding basis under regulations	(4,22)		(4,22)	4,21	1	4,22	
<b>Net increase/(decrease) before transfers to/from earmarked reserves</b>	<b>2,35</b>		<b>2,35</b>	<b>4,21</b>	<b>1</b>	<b>4,22</b>	<b>6,58</b>
Transfers (to)/from earmarked reserves (note 4)	(2,35)	2,35					
<b>Increase/(decrease) in 2013/14</b>		<b>2,35</b>	<b>2,35</b>	<b>4,21</b>	<b>1</b>	<b>4,22</b>	<b>6,58</b>
Balance as at 31 <sup>st</sup> March 2014	27	2,98	3,25	5,12	(10)	5,01	8,27

	EMSOU reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU reserves
2012/13	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 <sup>st</sup> April 2012	30	77	1,07	60	(5)	54	1,62
<b>Movement in reserves during 2012/13</b>							
Surplus or (deficit) on the provision of services	6		6				6
Other comprehensive income & expenditure							
<b>Total comprehensive income &amp; expenditure</b>	<b>6</b>		<b>6</b>				<b>6</b>
Adjustments between accounting basis & funding basis under regulations	(24)		(24)	30	(6)	24	
<b>Net increase/(decrease) before transfers to/from earmarked reserves</b>	<b>(17)</b>		<b>(17)</b>	<b>30</b>	<b>(6)</b>	<b>24</b>	<b>6</b>
Transfers (to)/from earmarked reserves (note 4)	14	(14)					
<b>Increase/(decrease) in 2012/13</b>	<b>(3)</b>	<b>(14)</b>	<b>(17)</b>	<b>30</b>	<b>(6)</b>	<b>24</b>	<b>6</b>
Balance as at 31 <sup>st</sup> March 2013	27	63	90	90	(11)	79	1,69

## Balance Sheet

31 <sup>st</sup> March 2013  £000		Note	31 <sup>st</sup> March 2014  £000
	<b>Non-Current Assets</b>		
	Intangible assets	1	
89	Property, Plant & Equipment	1	5,12
<b>90</b>	<b>Total Long Term Assets</b>		<b>5,12</b>
	<b>Current Assets</b>		
1,33	Short Term Debtors	2	2,20
2	Payments in advance		4
1,41	Cash & Cash Equivalents		2,39
	<b>Current Liabilities</b>		
(1,61)	Short Term Creditors	3	(1,25)
(26)	Receipt in Advance		(12)
(11)	Provision for accumulated absences		(10)
<b>78</b>	<b>Net current assets</b>		<b>3,15</b>
<b>1,69</b>	<b>Net assets / (Liabilities)</b>		<b>8,27</b>
90	Usable Reserves	4/5	3,25
79	Unusable Reserves	6	5,01
<b>1,69</b>	<b>Total Reserves</b>		<b>8,27</b>



## 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

2013/14	land and buildings £000	vehicles £000	equipment £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2013		1,29	2,00	3,30
Additions	7,61	14	8	7,84
Revaluations / impairments	(3,266)			(3,266)
Disposals		(79)	(131)	(210)
<b>At 31 March 2014</b>	<b>4,35</b>	<b>1,36</b>	<b>1,95</b>	<b>7,66</b>
<b>Accumulated depreciation and impairment</b>				
At 1 April 2013		(879)	(1,525)	(2,404)
Depreciation charge	(75)	(127)	(143)	(345)
Disposals		7	13	20
Adjustment due to revaluations				
<b>At 31 March 2014</b>	<b>(75)</b>	<b>(935)</b>	<b>(1,537)</b>	<b>(2,547)</b>
<b>Net book value</b>				
at 31 March 2014	4,27	42	42	5,12
at 31 March 2013		41	48	89

2012/13	land and buildings £000	vehicles £000	equipment £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2012		1,22	1,53	2,75
Additions		12	47	59
Revaluations / impairments				
Disposals		(50)		(50)
<b>At 31 March 2013</b>		<b>1,29</b>	<b>2,00</b>	<b>3,30</b>
<b>Accumulated depreciation and impairment</b>				
At 1 April 2012		(809)	(1,366)	(2,175)
Depreciation charge		(114)	(159)	(273)
Disposals		4		4
Adjustment due to revaluations				
<b>At 31 March 2013</b>		<b>(879)</b>	<b>(1,525)</b>	<b>(2,404)</b>
<b>Net book value</b>				
at 31 March 2013		41	48	89
at 31 March 2012		41	17	58

Intangible assets

2012/13 £000	software	2013/14 £000
	<b>Cost or valuation</b>	
7	At 1 April	7
	Additions	
	Revaluations / impairments	
	Disposals	(6
	Transfers	
7	<b>At 31 March</b>	6
	<b>Accumulated amortisation and impairment</b>	
(55	At 1 April	(66
(11	Amortisation charge	(8
	Disposals	
	Adjustment due to revaluations	
	Adjustment in respect of transfers	
(66	<b>At 31 March</b>	(69
	<b>Net book value</b>	
	at 31 March 2014	9
	at 31 March 2013	

2. Debtors

31 <sup>st</sup> March 2013 £000		31 <sup>st</sup> March 2014 £000
80	Central Government Bodies	1,66
51	Other Local Authorities	53
2	Sundry Debtors	
1,33		2,200

3. Creditors

31 <sup>st</sup> March 2013 £000		31 <sup>st</sup> March 2014 £000
(49	Central Government Bodies	(38
(1,106	Other Local Authorities	(738
	Salary & Overtime Payments	(357
(458	Sundry Creditors	(127
(1,613		(1,257

#### 4. Usable Reserves

##### Transfers to/from earmarked reserves

	Balance at 1 April 2012	transfers out 2012/13	transfers in 2012/13	Balance at 31 March 2013	transfers out 2013/14	transfers in 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
<b>Reserve name</b>							
General fund	30	(32)		27			27
Development & Future Expenditure						90	90
Communications	10	(8)	6	8			8
OCGM project 3000	11	(11)					
Future capital purchases	6	(6)	1	1	(1)		
Asset replacement	50	(318)	35	53	(62)	1,02	1,49
<b>Grand total</b>	<b>1,07</b>	<b>(60)</b>	<b>42</b>	<b>90</b>	<b>(7)</b>	<b>1,92</b>	<b>2,75</b>

##### General fund

To meet unbudgeted revenue expenditure.

##### Development & Future Expenditure

This has been established to progress the development of the Regional Organised Crime Unit (ROCU) Core Capabilities Programme to assist delivery of the Strategic Policing Requirement and to ensure that local policing can work with the National Crime Agency (NCA) and other national law enforcement agencies.

##### 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.

##### Future Capital Purchases

This contains resources set aside to fund future capital expenditure plans.

##### Asset replacement

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

## 5. Capital grants & contributions unapplied

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

2012/13 £000		2013/14 £000
	Amounts receivable in the year	4,82
	Amounts transferred in respect of a regional capital project	
	Amounts applied to finance new capital investment in the year	(4,324)
	<b>Total increase / (decrease) in the year</b>	<b>50</b>
	Balance brought forward at 1 <sup>st</sup> April	
	<b>Balance carried forward at 31<sup>st</sup> March</b>	<b>50</b>

## 6. Unusable reserves

### Capital adjustment account

2012/13 £000		2013/14 £000
(284)	Depreciation/amortisation charge in year	(352)
	Revenue Expenditure funded from Capital under Statute (REFCUS)	
(5)	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	(10)
-	Revaluation of non-current assets	(3,266)
<b>(289)</b>	<b>Net amount written-out of the cost of non-current assets consumed in the year</b>	<b>(3,628)</b>
59	Capital expenditure charged against the general fund	3,51
	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	4,32
<b>30</b>	<b>Total movement during the year</b>	<b>4,21</b>
60	Opening balance at 1 <sup>st</sup> April	90
<b>90</b>	<b>Closing balance at 31<sup>st</sup> March</b>	<b>5,12</b>

## Accumulated absences account

2012/13 £000		2013/14 £000
(55)	<b>Balance at 1<sup>st</sup> April</b>	(119)
5	Reversal of opening accrual made at the end of the preceding year	11
(119)	Amounts accrued at the end of the current year	(103)
(64)	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
(119)	<b>Balance at 31<sup>st</sup> March</b>	(103)

The East Midlands Special Operations Unit - Major Crime (EMSOUNMC) 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 2013/14, the OPCC/Group contributed £325k (2012/13 - £342k) to EMSOUNMC.

## Comprehensive Income & Expenditure Statement

- *presented in a subjective analysis format*

2012/13 Outturn £000		2013/14 Outturn £000
1,28	Employees' expenses	1,27
	Premises	
2	Transport	3
1	Supplies and services	6
	Agency & contracted services	4
	Revenue expenditure financed from capital resources	
	Depreciation & amortisation	
1,33	<b>Gross operating expenditure</b>	1,41
	Other income	
	Profit/loss on disposal of non-current assets	
1,33	<b>Amount to be met by Partners</b>	
(1,320)	Contributions from partners	(1,420)
	External grants	
1	<b>(Surplus) / deficit on provision of services</b>	(9)
	(Surplus) / deficit on revaluation on non-current assets	
	<b>Other comprehensive income and expenditure</b>	
1	<b>Total comprehensive income and expenditure</b>	(9)

## 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

2013/14	EMSOUMC Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOUMC Reserve
No	£000	£000	£000	£000	3 £000	£000	£000
Balance as at 1 <sup>st</sup> April 2013					(7)	(7)	(7)
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services							
Other comprehensive income & expenditure							
<b>Total comprehensive income &amp; expenditure</b>							
Adjustments between accounting basis & funding basis under regulations	(5)		(5)				
<b>Net increase/(decrease) before transfers to/from earmarked reserves</b>							
Transfers (to)/from earmarked reserves							
<b>Increase/(decrease) in 2013/14</b>							
Balance as at 31 <sup>st</sup> March 2014					(6)	(6)	(6)

2012/13	EMSOUMC Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOUMC Reserve
No	£000	£000	£000	£000	3 £000	£000	£000
Balance as at 1 <sup>st</sup> April 2012					(5)	(5)	(5)
<b>Movement in reserves during 2012/13</b>							
Surplus or (deficit) on the provision of services	(12)		(12)				(12)
Other comprehensive income & expenditure							
<b>Total comprehensive income &amp; expenditure</b>	(12)		(12)				(12)
Adjustments between accounting basis & funding basis under regulations	1		1		(12)	(12)	
<b>Net increase/(decrease) before transfers to/from earmarked reserves</b>					(12)	(12)	(12)
Transfers (to)/from earmarked reserves							
<b>Increase/(decrease) in 2012/13</b>					(12)	(12)	(12)
Balance as at 31 <sup>st</sup> March 2013					(7)	(7)	(7)



## Balance Sheet

31 <sup>st</sup> March 2013  £000		Note	31 <sup>st</sup> March 2014  £000
	<b>Non-current assets</b>		
	Intangible assets		
	Property, plant & equipment		
	<b>Total long term assets</b>		
	<b>Current assets</b>		
10	Short term debtors	1	
24	Cash & cash equivalents		31
	<b>Current liabilities</b>		
	Cash & cash equivalents		
(34)	Short term creditors	2	(31)
(7)	Receipt in advance		
(7)	Provision for accumulated absences		(6)
<b>(7)</b>	<b>Net current assets / (liabilities)</b>		<b>(6)</b>
<b>(7)</b>	<b>Net assets / (liabilities)</b>		<b>(6)</b>
	Usable reserves		
(7)	Unusable reserves	3	(6)
<b>(7)</b>	<b>Total reserves</b>		<b>(6)</b>

## Notes to the financial statements

### 1. Debtors

31 <sup>st</sup> March 2013		31 <sup>st</sup> March 2014
£000		£000
	Central Government Bodies	
10	Other Local Authorities	
	Sundry Debtors	
10		

### 2. Creditors

31 <sup>st</sup> March 2013		31 <sup>st</sup> March 2014
£000		£000
(8	Central Government Bodies	(6
(336	Other Local Authorities	(275
(4	Salaries and overtime	(14
	Sundry Creditors	(18
(349		(313

### 3. Unusable reserves

#### Accumulated absences account

2012/13 £000		2013/14 £000
(58	Balance at 1 <sup>st</sup> April	(70
5	Reversal of opening accrual made at the end of the preceding year	7
(70	Amounts accrued at the end of the current year	(61
(12	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	
(70	Balance at 31 <sup>st</sup> March	(61

## Jointly Controlled Operations East Midlands Technical Surveillance Unit

The East Midlands Technical Surveillance Unit (EMTSU) was formed on the 1<sup>st</sup> 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 2013/14, the OPCC/Group contributed £493k (2012/13 - £473k) to EMTSU.

## Comprehensive Income & Expenditure Statement

- presented in a subjective analysis format

2012/13 Outturn £000		2013/14 Outturn £000
1,57	Employees' expenses	1,69
2	Premises	
3	Transport	2
19	Supplies and services	27
	Agency & contracted services	
	Revenue expenditure financed from capital resources	
1	Depreciation & amortisation	5
<b>1,84</b>	<b>Gross operating expenditure</b>	<b>2,05</b>
(7	Other income	(2
	Profit/loss on disposal of non-current assets	
<b>1,83</b>	<b>Amount to be met by Partners</b>	<b>2,05</b>
(2,04	Contributions from partners	(2,16
	External grants	
<b>(21</b>	<b>(Surplus) / deficit on provision of services</b>	<b>(10</b>
	(Surplus) / deficit on revaluation on non-current assets	
	<b>Other comprehensive income and expenditure</b>	
<b>(21</b>	<b>Total comprehensive income and expenditure</b>	<b>(10</b>

# 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

	EMTSU reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total Unusable Reserves	Total EMTSU Reserves
2013/14							
No	£000	4 £000	5 £000	5 £000	5 £000	£000	£000
Balance as at 1 <sup>st</sup> April 2013		18	18	28	(24)	25	44
Movement in reserves during 2013/14							
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	(8)		(8)	8	(	8	
Net increase/(decrease) before transfers to/from earmarked reserves	2		2	8	(	8	10
Transfers (to)/from earmarked reserves (note 4)	(2)	2					
Increase/(decrease) in 2013/14		2	2	8	(	8	10
Balance as at 31 <sup>st</sup> March 2014		21	21	36	(24)	33	55

	2012/13						
	EMTSU reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total Unusable Reserves	Total EMTSU Reserves
	No	4	5	5	5		
	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 <sup>st</sup> April 2012		17	17	7	(19)	6	23
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	21		21				21
Other comprehensive income & expenditure							
Total comprehensive income & expenditure	21		21				21
Adjustments between accounting basis & funding basis under regulations	(19)		(19)	20	(4)	19	
Net increase/(decrease) before transfers to/from earmarked reserves	1		1	20	(4)	19	21
Transfers (to)/from earmarked reserves (note 4)	(1)	1					
Increase/(decrease) in 2012/13		1	1	20	(4)	19	21
Balance as at 31 <sup>st</sup> March 2013		18	18	28	(24)	25	44

## Balance Sheet

31 <sup>st</sup> March 2013 £000		Note	31 <sup>st</sup> March 2014 £000
	<b>Non-Current Assets</b>		
	Intangible assets		
28	Property, Plant & Equipment	1	36
<b>28</b>	<b>Total Long Term Assets</b>		<b>36</b>
	<b>Current Assets</b>		
	Short Term Debtors	2	
20	Cash & Cash Equivalents		24
	<b>Current Liabilities</b>		
(17)	Short Term Creditors	3	(3)
	Receipt in Advance		
(2)	Provision for accumulated absences		(2)
<b>15</b>	<b>Net current assets</b>		<b>18</b>
<b>44</b>	<b>Net assets / (Liabilities)</b>		<b>55</b>
18	Usable Reserves	4	21
25	Unusable Reserves	5	33
<b>44</b>	<b>Total Reserves</b>		<b>55</b>

## 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

2013/14	land and buildings £000	vehicles £000	equipment £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2013		4	24	29
Additions		6	7	13
Revaluations / impairments				
Disposals				
<b>At 31 March 2014</b>		<b>11</b>	<b>32</b>	<b>43</b>
<b>Accumulated depreciation and impairment</b>				
At 1 April 2013		(3)	(12)	(15)
Depreciation charge		(7)	(50)	(57)
Disposals				
Adjustment due to revaluations				
<b>At 31 March 2014</b>		<b>(10)</b>	<b>(62)</b>	<b>(72)</b>
<b>Net book value</b>				
at 31 March 2014		10	25	36
at 31 March 2013		4	23	28

2012/13	land and buildings £000	vehicles £000	equipment £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2012		1	6	7
Additions		3	18	21
Revaluations / impairments				
Disposals				
<b>At 31 March 2013</b>		<b>4</b>	<b>24</b>	<b>29</b>
<b>Accumulated depreciation and impairment</b>				
At 1 April 2012				
Depreciation charge		(3)	(12)	(15)
Disposals				
Adjustment due to revaluations				
<b>At 31 March 2013</b>		<b>(3)</b>	<b>(12)</b>	<b>(15)</b>
<b>Net book value</b>				
at 31 March 2013		<b>4</b>	<b>23</b>	<b>28</b>
at 31 March 2012		<b>1</b>	<b>6</b>	<b>7</b>

## 2. Debtors

31 <sup>st</sup> Marc 2013 £000		31 <sup>st</sup> Marc 2014 £000
	Central Government Bodies	
	Other Local Authorities	
	Sundry Debtors	

## 3. Creditors

31 <sup>st</sup> Marc 2013 £000		31 <sup>st</sup> Marc 2014 £000
	Central Government Bodies	
	Other Local Authorities	
(1)	Sundry Debtors	(2)
(6)	Salaries & Overtime Payments	(6)
<b>(17)</b>		<b>(3)</b>

## 4. Transfers to/from usable reserves

	Balance at 1 April 2012 £000	transfers out 2012/13 £000	transfers in 2012/13 £000	Balance at 31 March 2013 £000	transfers out 2013/14 £000	transfers in 2013/14 £000	Balance at 31 March 2014 £000
<b>Reserve name</b>							
Carry-forward	9			9	(45)	9	14
Vehicle replacement	7		1	9	(2)		6
<b>Grand total</b>	<b>17</b>		<b>1</b>	<b>18</b>	<b>(66)</b>	<b>9</b>	<b>21</b>

### 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

2012/13 £000		2013/14 £000
(15)	Depreciation/amortisation charge in year 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	(57)
(15)	<b>Net amount written-out of the cost of non-current assets consumed in the year</b>	(57)
21	Capital expenditure charged against the general fund 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	13
20	<b>Total movement during the year</b>	8
7	Opening balance at 1 <sup>st</sup> April	28
28	<b>Closing balance at 31<sup>st</sup> March</b>	36



## Jointly Controlled Operations East Midlands Technical Surveillance Unit

### Accumulated absences account

2012/13 £000		2013/14 £000
(19)	<b>Balance at 1<sup>st</sup> April</b>	(24)
1	Reversal of opening accrual made at the end of the preceding year	2
(24)	Amounts accrued at the end of the current year	(25)
(4)	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)
(24)	<b>Balance at 31<sup>st</sup> March</b>	(25)

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

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The East Midlands Collaborative HR Service – Learning & Development (EMCHRS L&D) was formed on the 1<sup>st</sup> 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 2013/14, the OPCC/Group contributed £635k (2012/13 - £726k) to EMCHRS L&D.

### Comprehensive Income & Expenditure Statement

- presented in a subjective analysis format

2012/13 Outturn £000		2013/14 Outturn £000
2,38	Employees' expenses	2,19
	Premises	
2	Transport	6
19	Supplies and services	20
	Agency & contracted services	(
	Revenue expenditure financed from capital resources	
	Depreciation & amortisation	
<b>2,60</b>	<b>Gross operating expenditure</b>	<b>2,46</b>
(75	Other income	(45
	Profit/loss on disposal of non-current assets	
<b>2,52</b>	<b>Amount to be met by Partners</b>	<b>2,41</b>
(2,50	Contributions from partners	(2,43
	External grants	
<b>2</b>	<b>(Surplus) / deficit on provision of services</b>	<b>(15</b>
	(Surplus) / deficit on revaluation on non-current assets	
	<b>Other comprehensive income and expenditure</b>	
<b>2</b>	<b>Total comprehensive income and expenditure</b>	<b>(15</b>

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

## Statement of Movement in Reserves

2013/14	EMSOU-L&D Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU-L&D Reserve
No	£000	3 £000	£000	£000	4 £000	£000	£000
Balance as at 1 <sup>st</sup> April 2013					(2)	(2)	(2)
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services	1		1				1
Other comprehensive income & expenditure							
<b>Total comprehensive income &amp; expenditure</b>	1		1				1
Adjustments between accounting basis & funding basis under regulations	3		3		(3)	(3)	
<b>Net increase/(decrease) before transfers to/from earmarked reserves</b>	5		5		(3)	(3)	1
Transfers (to)/from earmarked reserves (note 3)	(5)	5					
<b>Increase/(decrease) in 2013/14</b>		5	5		(3)	(3)	1
Balance as at 31 <sup>st</sup> March 2014		5	5		(5)	(5)	(5)

2012/13	EMSOU-L&D Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU-L&D Reserve
No	£000	3 £000	£000	£000	4 £000	£000	£000
Balance as at 1 <sup>st</sup> April 2012							
<b>Movement in reserves during 2012/13</b>							
Surplus or (deficit) on the provision of services	(2)		(2)				(2)
Other comprehensive income & expenditure							
<b>Total comprehensive income &amp; expenditure</b>	(2)		(2)				(2)
Adjustments between accounting basis & funding basis under regulations	2		2		(2)	(2)	
<b>Net increase/(decrease) before transfers to/from earmarked reserves</b>					(2)	(2)	(2)
Transfers (to)/from earmarked reserves (note 3)							
<b>Increase/(decrease) in 2012/13</b>					(2)	(2)	(2)
Balance as at 31 <sup>st</sup> March 2013					(2)	(2)	(2)

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

## Balance Sheet

31 <sup>st</sup> March 2013		Note	31 <sup>st</sup> March 2014
£000			£000
	<b>Non-current assets</b>		
	Intangible assets		
	Property, plant & equipment		
	<b>Total long term assets</b>		
	<b>Current assets</b>		
	Short term debtors	1	
78	Cash & cash equivalents		36
	<b>Current liabilities</b>		
	Cash & cash equivalents		
(70)	Short term creditors	2	(32)
(7)	Receipt in advance		(1)
(2)	Provision for accumulated absences		(5)
(2)	<b>Net current assets / (liabilities)</b>		(9)
(2)	<b>Net assets / (liabilities)</b>		(9)
	Usable reserves	3	5
(2)	Unusable reserves	4	(5)
(2)	<b>Total reserves</b>		(9)

## Notes to the financial statements

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### 1. Debtors

31 <sup>st</sup> March 2013		31 <sup>st</sup> March 2014
£000		£000
	Central Government Bodies	
	Other Local Authorities	
	Sundry Debtors	

### 2. Creditors

31 <sup>st</sup> March 2013		31 <sup>st</sup> March 2014
£000		£000
	Central Government Bodies	
	Other Local Authorities	
	Salaries and overtime	
	Sundry Creditors	

### 3. Transfers to/from usable reserves

	Balance at 1 April 2012	transfers out 2012/13	transfers in 2012/13	Balance at 31 March 2013	transfers out 2013/14	transfers in 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
<b>Reserve name</b>							
Carry-forward						5	5
<b>Grand total</b>						5	5

**Carry- forward**

To meet unbudgeted revenue expenditure.

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

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## 4. Unusable reserves

### Accumulated absences account

2012/13 £000		2013/14 £000
	<b>Balance at 1<sup>st</sup> April</b>	<b>(27)</b>
	Reversal of opening accrual made at the end of the preceding year	2
(27)	Amounts accrued at the end of the current year	(59)
<b>(27)</b>	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	<b>(32)</b>
<b>(27)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(59)</b>

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

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The East Midlands Collaborative HR Service – Occupational Health Unit (EMCHRS OHU) was formed on the 1<sup>st</sup> 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 2013/14, the OPCC/Group contributed £364k (2012/13 - £423k) to EMCHRS OHU.

### Comprehensive Income & Expenditure Statement

- presented in a subjective analysis format

2012/13 Outturn £000		2013/14 Outturn £000
88	Employees' expenses	78
	Premises	
	Transport	1
83	Supplies and services	81
	Agency & contracted services	(
	Revenue expenditure financed from capital resources	
	Depreciation & amortisation	
1,72	<b>Gross operating expenditure</b>	1,60
	Other income	
	Profit/loss on disposal of non-current assets	
1,72	<b>Amount to be met by Partners</b>	1,60
(1,719	Contributions from partners	(1,599
	External grants	
	<b>(Surplus) / deficit on provision of services</b>	1
	(Surplus) / deficit on revaluation on non-current assets	
	<b>Other comprehensive income and expenditure</b>	
	<b>Total comprehensive income and expenditure</b>	1

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

**Statement of Movement in Reserves**

	EMSOU-OHU Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU+OHU Reserve
2013/14							
Notes	£000	£000	£000	£000	3 £000	£000	£000
<b>Balance as at 1<sup>st</sup> April 2013</b>					(7)	(7)	(7)
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services	(13)		(13)				(13)
Other comprehensive income & expenditure							
<b>Total comprehensive income &amp; expenditure</b>	(13)		(13)				(13)
Adjustments between accounting basis & funding basis under regulations	1		1		(13)	(13)	
<b>Net increase/(decrease) before transfers to/from earmarked reserves</b>					(13)	(13)	(13)
Transfers (to)/from earmarked reserves							
<b>Increase/(decrease) in 2013/14</b>					(13)	(13)	(13)
<b>Balance as at 31<sup>st</sup> March 2014</b>					(20)	(20)	(20)

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



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

## Balance Sheet

31 <sup>st</sup> March 2013 £000		Note	31 <sup>st</sup> March 2014 £000
	<b>Non-current assets</b>		
	Intangible assets		
	Property, plant & equipment		
	<b>Total long term assets</b>		
	<b>Current assets</b>		
9	Short term debtors	1	13
12	Cash & cash equivalents		
	<b>Current liabilities</b>		
	Cash & cash equivalents		(100
(210	Short term creditors	2	(29
	Receipt in advance		
(7	Provision for accumulated absences		(20
(7	<b>Net current assets / (liabilities)</b>		<b>(20</b>
(7	<b>Net assets / (liabilities)</b>		<b>(20</b>
	Usable reserves		
(7	Unusable reserves	3	(20
(7	<b>Total reserves</b>		<b>(20</b>

## Notes to the financial statements

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### 1. Debtors

31 <sup>st</sup> March 2013		31 <sup>st</sup> March 2014
£000		£000
	Central Government Bodies	
9	Other Local Authorities	13
	Sundry Debtors	
9		13

### 2. Creditors

31 <sup>st</sup> March 2013		31 <sup>st</sup> March 2014
£000		£000
	Central Government Bodies	
(132)	Other Local Authorities	(6)
(3)	Salary & Overtime Payments	
(75)	Sundry Creditors	(23)
(210)		(29)

### 3. Unusable reserves

#### Accumulated absences account

2012/13 £000		2013/14 £000
	<b>Balance at 1<sup>st</sup> April</b>	(7)
	Reversal of opening accrual made at the end of the preceding year	
(7)	Amounts accrued at the end of the current year	(20)
(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	(13)
(7)	<b>Balance at 31<sup>st</sup> March</b>	(20)

## Jointly Controlled Operations East Midlands Legal Services Unit

The East Midlands Legal Services Unit (EMLSU) was formed on 1<sup>st</sup> August 2012 and provides legal services across Leicestershire, Nottinghamshire, Derbyshire and Northamptonshire. The OPCC/Group acts as the lead authority. During 2013/14, the OPCC/Group contributed £251k (2012/13- £99k) to EMLSU.

### Comprehensive Income & Expenditure Statement

- *presented in a subjective analysis format*

2012/13 Outturn £000		2013/14 Outturn £000
73	Employees' expenses	94
	Premises	
2	Transport	3
9	Supplies and services	4
	Agency & contracted services	
	Revenue expenditure financed from capital resources	
	Depreciation & amortisation	
<b>85</b>	<b>Gross operating expenditure</b>	<b>1,02</b>
(10)	Other income	(8)
	Profit/loss on disposal of non-current assets	
<b>74</b>	<b>Amount to be met by Partners</b>	<b>94</b>
(73)	Contributions from partners	(96)
	External grants	
<b>1</b>	<b>(Surplus) / deficit on provision of services</b>	<b>(1)</b>
	(Surplus) / deficit on revaluation on non-current assets	
	<b>Other comprehensive income and expenditure</b>	
<b>1</b>	<b>Total comprehensive income and expenditure</b>	<b>(1)</b>

# Statement of Movement in Reserves

2013/14	EMSOU-OHU Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU+OHU Reserve
Notes	£000	3 £000	£000	£000	4 £000	£000	£000
Balance as at 1 <sup>st</sup> April 2013					(1)	(1)	(1)
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services	1		1				1
Other comprehensive income & expenditure							
<b>Total comprehensive income &amp; expenditure</b>	1		1				1
Adjustments between accounting basis & funding basis under regulations					(1)	(1)	
<b>Net increase/(decrease) before transfers to/from earmarked reserves</b>	2		2		(1)	(1)	1
Transfers (to)/from earmarked reserves (note 3)	(2)	2					
<b>Increase/(decrease) in 2013/14</b>		2	2		(1)	(1)	1
Balance as at 31 <sup>st</sup> March 2014		2	2		(1)	(1)	1

2012/13	EMSOU-OHU Reserve	Earmarked reserves	Total usable reserves	CAA	Employee Benefits	Total unusable reserves	Total EMSOU+OHU Reserve
Notes	£000	3 £000	£000	£000	4 £000	£000	£000
Balance as at 1 <sup>st</sup> April 2012							
<b>Movement in reserves during 2012/13</b>							
Surplus or (deficit) on the provision of services	(1)		(1)				(1)
Other comprehensive income & expenditure							
<b>Total comprehensive income &amp; expenditure</b>	(1)		(1)				(1)
Adjustments between accounting basis & funding basis under regulations	1		1		(1)	(1)	
<b>Net increase/(decrease) before transfers to/from earmarked reserves</b>					(1)	(1)	(1)
Transfers (to)/from earmarked reserves (note 3)							
<b>Increase/(decrease) in 2012/13</b>					(1)	(1)	(1)
Balance as at 31 <sup>st</sup> March 2013					(1)	(1)	(1)

# Balance Sheet

31 <sup>st</sup> March 2013 £000		Note	31 <sup>st</sup> March 2014 £000
	<b>Non-current assets</b>		
	Intangible assets		
	Property, plant & equipment		
	<b>Total long term assets</b>		
	<b>Current assets</b>		
	Short term debtors	1	
	Cash & cash equivalents		2
	<b>Current liabilities</b>		
(4	Cash & cash equivalents		
	Short term creditors	2	(9
	Receipt in advance		
(10	Provision for accumulated absences		(1
(10	<b>Net current assets / (liabilities)</b>		
(10	<b>Net assets / (liabilities)</b>		
	Usable reserves	3	2
(10	Unusable reserves	4	(1
(10	<b>Total reserves</b>		

## Notes to the financial statements

### 1. Debtors

31 <sup>st</sup> March 2013 £000		31 <sup>st</sup> March 2014 £000
	Central Government Bodies	
	Other Local Authorities	
	Sundry Debtors	

### 2. Creditors

31 <sup>st</sup> March 2013 £000		31 <sup>st</sup> March 2014 £000
	Central Government Bodies	
	Other Local Authorities	
	Salary & Overtime Payments	(1)
(4)	Sundry Creditors	(8)
(4)		(9)

### 3. Transfers to/from usable reserves

	Balance at 1 April 2012 £000	transfers out 2012/13 £000	transfers in 2012/13 £000	Balance at 31 March 2013 £000	transfers out 2013/14 £000	transfers in 2013/14 £000	Balance at 31 March 2014 £000
<b>Reserve name</b>							
Carry-forward						2	2
<b>Grand total</b>						2	2

#### Carry- forward

To meet unbudgeted revenue expenditure.

## 4. Unusable reserves

### Accumulated absences account

2012/13 £000		2013/14 £000
	<b>Balance at 1<sup>st</sup> April</b>	<b>(10)</b>
	Reversal of opening accrual made at the end of the preceding year	1
(10)	Amounts accrued at the end of the current year	(11)
(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	(1)
<b>(10)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(11)</b>

## Introduction

In the financial year 2013/14, the first full year of the implications of the Police Reform and Social Responsibility Act 2011 were realised with the two corporations sole of the Office of the Police and Crime Commissioner and the Office of the Chief Constable established. During the year considerable focus has been placed on embedding governance arrangements to ensure that the previous sound record continue to be built in and developed 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](http://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 Corporate Governance Framework was in place during 2013/14 and in line with good practice to review annually, the Framework was reviewed in March 2014 by the OPCC and the CC and includes revisions where required for changes under Stage 2.

### 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; and
- Ensuring that there is an effective internal audit function.

Baker Tilly (previously RSM Tenon), the internal auditors, have been given the responsibility to review independently the status of the PCC's internal control arrangements. Baker Tilly routinely report to and attend



the Joint Audit, Risk and Assurance Panel (the JARAP) to provide assurance on the adequacy and effectiveness of internal control. In addition, they attend management and JARAP agenda setting meetings to inform and highlight national and regional themes, considerations and practices.

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

- A thorough Police and Crime Plan (which was refreshed in 2013/14) 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 Commissioning Framework (which was refreshed in the year in line with the Police and Crime Plan) which details the 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 ( which was refreshed during the year) 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;
- In house Internal Audit function where the plan is directed towards risk and emerging issues; and
- External reviews and inspections including thematic reviews by HMIC which inform the PCC and the CC and highlight risks and learning points in addition to good practice.

#### 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.

Considering the significant changes to the governance regime in 2012/13, the OPCC and OCC invested in an increased internal audit programme for the year to give additional assurance during the first year under the new arrangements. The OPCC ensured specific audits on Governance and the Police and Crime plan took place to review the controls and assurances in place, these were found to be working and the audit assessments are detailed further in the document.

The first meeting of the newly constituted JARAP replaced the transitional arrangements and previous Audit Committee and met five times during the year in the newly constituted framework. The JARAP undertook a detailed work plan which included considering the work of internal and external audit, the in house internal audit team, tracking of internal audit recommendations, risks and risk management, the Corporate Governance Framework and specific themes. In addition, the JARAP reviewed their terms of reference and produced an annual report of their work.

The Baker Tilly internal audit annual report covered the period 1 April 2013 to 31 March 2014 and was reported to and considered by the JARAP in May 2014.

The internal audit opinion for 2013/14 was as follows:

“We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Office of the Leicestershire Police and Crime Commissioner’s arrangements.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 the Office of the Leicestershire Police and Crime Commissioner has adequate and effective risk management, control and governance processes to manage the achievement of the organisation’s objectives.”

The basis of Baker Tilly’s opinion was as follows:

*Governance* – “We found that a programme of work for Stage 2 transfer had been developed and was being implemented, led by the OPCC Chief Executive and the OCC Director of Human Resources, which aimed to ensure that an appropriate outcome was reached in accordance with Home Office deadlines.

We concluded that the governance arrangements in place for both the OPCC and the OCC were adequate and effective.”

*Risk Management* – “We undertook a review during the year of the Risk Management arrangements in place for the OCC and OPCC which resulted in an Amber/Green (reasonable) assurance opinion for each entity.

We identified two areas for improvement, the first related to the development of a formal risk training programme and the second was in relation to identifying areas of assurance that can be used to validate that controls identified to manage/mitigate risks are working effectively.

We concluded that the risk management arrangements in place for both the Office of the Police and Crime Commissioner and the Officer of the Chief Constable were adequate and effective.”

*Control* – “Two advisory and thirteen other assurance audit reports were issued across the OPCC and Force in 2013/14. These comprised of seven Green (substantial), five Amber Green (reasonable) and one Amber Red (some) assurance opinions. The Amber Red opinion was on the Collaborative review of Governance & Financial Framework which was completed across the East Midlands Collaboration.

We concluded that the control arrangements in place for both the Office of the Police and Crime Commissioner and the Officer of the Chief Constable were adequate and effective.”

Within that report reference is made to the audit of 4 areas of key financial controls. Those audits produced only 1 medium priority recommendation in the Payroll and expenses area and 3 low priority recommendations.

Within that report, there were only 16 medium priority recommendations and no high priority recommendations were made, demonstrating the assurances in place and highlighted by the report.

External audit (PricewaterhouseCoopers – PWC) issued their Annual Audit Letter for 2012/13 in October 2013. That Letter built on the report to those charged with governance considered by the JARAP in September 2013 and was intended to summarise the results of their 2012/13 audit. It noted that:

- an unqualified audit opinion on the Statement of Accounts was issued on 30 September 2013;
- the Finance Team met the agreed deadlines for production of the financial statements and produced a quality output and were commended on these positive aspects of the audit process;
- the ‘going-concern’ assumption is appropriate;
- The finance team was proactive in discussing with us proposals for the accounting treatment to be adopted for the accounts of the PCC (and Group) and the CC. This enabled us to consider the proposed approach and discuss and agree the accounting treatment to be adopted for the 2012/13 financial statements at the earliest possible opportunity;
- We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context; and
- We issued unqualified conclusions on the arrangements for securing economy, efficiency and effectiveness of the CC and the PCC in their respective use of resources on 30 September 2013.

The JARAP reviewed and commented upon the revised Corporate Governance Framework at its meeting in March 2014 and internal and external audit and Legal Services received and where appropriate commented upon the revised Framework.

JARAP members undertake portfolio and “deep dives” into key areas and also regularly attend pertinent meetings including regular attendance at the Strategic Organisational Risk Board (SORB). Two JARAP members took part in a workshop to assist in reviewing the risk registers which will be developed further during the year.

JARAP reviewed the OCC and OPCC Risk Registers and supported the alignment of the format of these registers during the year.

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.

### 5) 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.

In order to seek to mitigate the potential impact of budget reductions, a programme of work took place that produced a comprehensive suite of change options to create a Force that is fit for 2016/17 and beyond. A refreshed Police and Crime Plan was produced during the year which incorporated a balanced medium term financial strategy (MTFS) and showed how the Plan can be delivered through implementing appropriate changes and utilising reserves and precept strategies.

Further work has taken place on the design of an operational policing model which will enable the Force to be fit for 2016/17 and beyond. This design builds on the direction of the earlier change programme work and is based on demand and priorities. This work will continue to be refined as will the cost and savings associated with it to ensure the future Force design also aims to maintain performance against the Plan while managing with reduced resources.

#### *The responsibilities of the PCC continue to increase*

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 direction to allocate additional responsibilities to the PCC, which include responsibilities for Victim, Witnesses and Restorative Justice Commissioning from October 2014 and referral services from April 2015. In addition, 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.

#### *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 previously made available to other agencies directly, so there has been some sensitivity as to how they will The OPCC for Leicestershire

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.

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 were issued in the Commissioning Intentions during 2013/14 and the document was refreshed during the year. A further refresh will take place in 2014/15.

### *Partnerships*

In line with the significant development plans for Leicester, Leicestershire and Rutland over the next 15 years, the PCC is working with the Force to build relationships with key Local Authority partners arising from a recent challenge made to Local Authority planning decisions. An action plan is being developed by the PCC which will assist in mitigating this risk and rebuilding relationships with key partners.

### *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 arrangements are governed appropriately and are delivering value for money. The Chief Finance Officers of the region are concerned that increased collaboration needs to be implemented in line with an appropriate strategic direction and that risk as well as benefits are considered and internal controls put in place.

In terms of value for money, regional PCCs have set the Regional Collaboration team challenges to identify efficiencies, and on governance, the Regional Chief Finance Officers have set in place an internal review which has highlighted recommendations to be progressed.

### *National Developments*

There are a number of national developments which continue to be proposed and which 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  
Police and Crime  
Commissioner

23<sup>rd</sup> September 2014

Paul Stock  
Chief Executive, OPCC

23<sup>rd</sup> September 2014

Helen King  
Chief Finance Officer, OPCC

23<sup>rd</sup> September 2014

## 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.

Thematic inspections form part of the monitoring controls to ensure compliance with appropriate policies and regulations and demonstrate the effective and efficient use of resources.

### 3. That the appropriate controls are in place for the management of all resources deployed within Regional collaboration

A management structure is in place, with clear lines of accountability for both operational issues and use of resources.

A budget is approved each year at the EMPCC'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. Monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date and projected outturn position.

### 4. Incorporating good governance arrangements in respect of partnerships.

The EMPCC'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 Police and Crime Commissioner 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 1<sup>st</sup> April covered by the accounts.

### **Formula spending share**

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

### **Impairment**

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



### **Investment property**

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

### **Leasing**

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

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

### **Liquid resources**

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

### **Minimum revenue provision**

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

### **Net book value**

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

### **Non-current assets**

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

### **Non distributed costs**

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

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

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

### **Precept**

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

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

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

### **Receipts and payments**

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

### **Unusable reserves**

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

### **Usable reserves**

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