

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

PAPER MARKED

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Report of	CHIEF FINANCE OFFICERS OF THE POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE
Subject	DRAFT STATEMENT OF ACCOUNTS
Date	WEDNESDAY 29 JULY 2020 – 10.00AM
Author :	MR PAUL DAWKINS

## **Purpose of Report**

1. To receive an update on the 2019-20 Statement of Accounts for the Group, Police and Crime Commissioner and Chief Constable.

## **Recommendation**

2. The Panel is asked to review and approve the draft Statement of Accounts for 2019-20.

## **Background**

3. Due to current situation surrounding COVID-19 the statutory audit deadline for 2019/20 for local authorities in England has been extended. This is to give authorities more flexibility, time to adjust to new working practices and adapt to the challenges faced.
4. The date at which the annual accounts need to be published has moved from 31 July 2020 to 30 November 2020
5. The external auditors (Ernst Young) have commenced their audit of the annual accounts. However due to a delay in receiving the IAS19 assurance letters from Leicestershire County Council Pension fund, a conclusion and sign-off of the external audit cannot be reached in time for this JARAP.

## **Implications**

Financial: There are no direct financial implications stemming from this report

Legal: There are no direct legal implications stemming from this report although there is a statutory deadline to approve the accounts by the end of November.

Equality Impact Assessment: There are no EIA implications stemming from this report

Risks and Impact: None

Link to Police and Crime Plan: There is a statutory requirement to produce a Statement of Accounts on an annual basis.

**List of Attachments / Appendices**

Draft PCC Statement of Accounts 2019-20

Draft CC Statement of Accounts 2019-20

**Background Papers**

None

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

**DRAFT**

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

**2019/20**

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# Narrative Report by the Chief Finance Officer

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These accounts set out the overall financial position of Leicestershire Police for the year ended 31 March 2020.

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

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

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

The accounts for 2019/20 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority. This Code of Practice has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

## Budget 2019-20

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

Lord Bach set his budget and precept for 2019/20 in January 2019 to support the ongoing delivery of his Police and Crime Plan.

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

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

The budget and precept for 2019/20 included investment in the following areas:

- 107 new Police Officers of which 80 were recruited in year, mainly for deployment in the eight Neighbourhood Policing Areas (NPAs).
- Proposals to reduce abstractions of frontline police officers and increase the amount of time they spend on the beat
- Investment in technology to tackle crime
- Ongoing investment to support Volunteers in Policing
- Measures to speed up recruitment to the new posts
- Improving the quality of crime recording

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

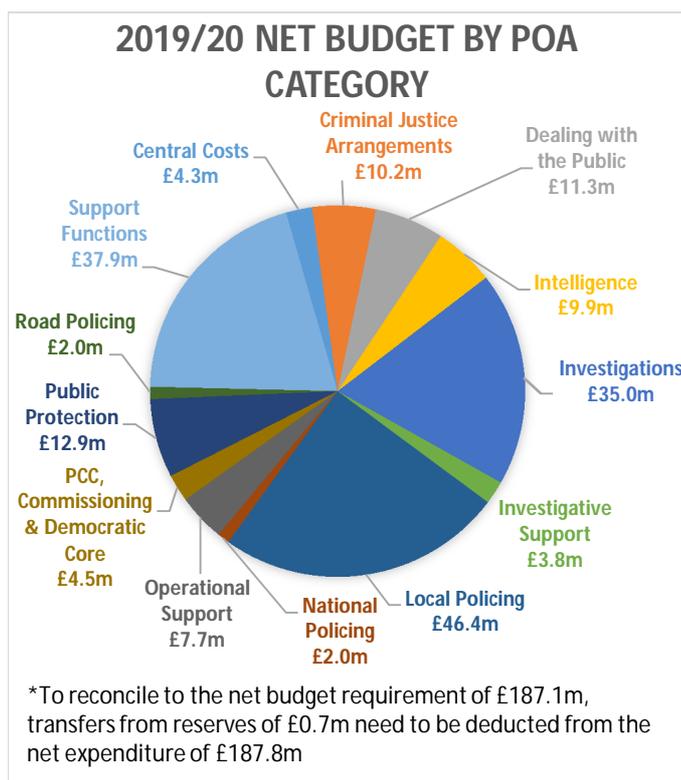
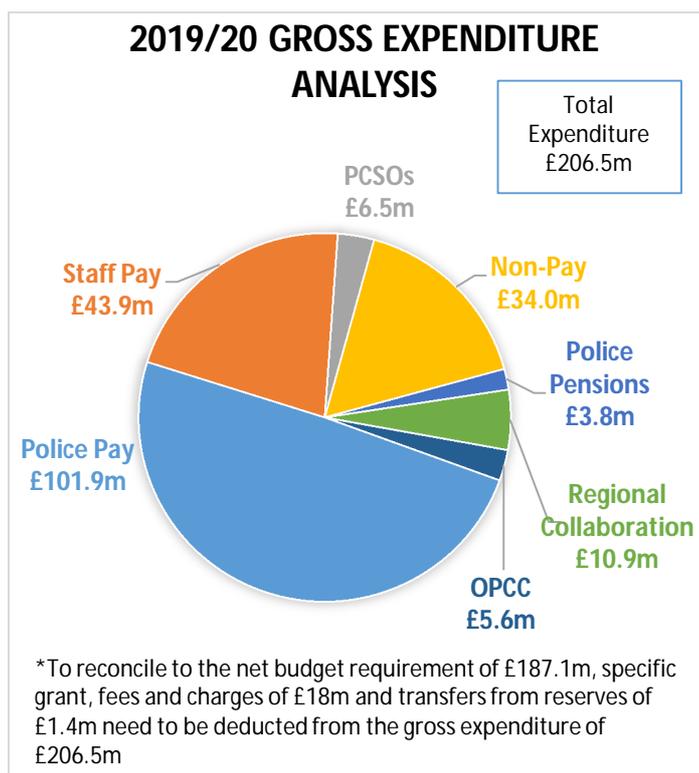
In 2019/20, the Office of the Police and Crime Commissioner for Leicestershire's budget was managed and closely monitored in conjunction with the Force. As a result, the final outturn for the year was a managed underspend of £2.4m on a budget of £187.1m.

## Performance and Financial Position

A net annual revenue budget for 2019/20 of £187.1m was set for the service as a whole, an increase of 6.2% over 2018/19. £172.5m was managed by the CC with the remaining £4.1m (net of grants and transfers from reserves) relating to the costs of the OPCC (£1.2m) and commissioning activities (£2.9m). The majority of the funding is provided by Government, with 39% met through the Council Tax.

# Narrative Report by the Chief Finance Officer

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



## Performance against budget

As described above, the OPCC (Group) underspent its 2019/20 budget by £2.4m, after the transfer of funds to earmarked reserves, including £2.1m to meet future commitments in 2020/21. This was attributable to:

### The Office of the Chief Constable for Leicestershire - £2.4m underspend

- An underspend on police pay and allowances of £1.247m due to changes in the forecast attrition, a reduction in the effective national insurance and pension rates compared to the budget and additional seconded officers income.
- An underspend on corporate budgets of £1.26m attributable to savings on PCSOs due to the number of staff in post being below the budgeted establishment throughout the year as police officer recruitment has increased, capital pension costs being lower than budgeted due to fewer ill health retirements than expected, delays in the implementation of investment proposals and projects offset by additional expenditure on Force priorities and pressures including £0.158m on COVID 19 related expenditure.
- An underspend of £0.102m on policing functions provided regionally.
- A net overspend of £0.248m in the delegated budgets as a result of increased police overtime costs incurred due to demand and unbudgeted expenditure in the Business Support departments on police staff salary costs, estates planned maintenance and supplies and services.

During the year the Chief Constable received 2 specific grants from the Home Office to fund the acceleration of the uplift in police officers numbers (£0.4m) and tackle serious violence crime (£1.4m).

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

- The Office of the Police and Crime Commissioner had a very small underspend of £18,000 which it has transferred into an earmarked reserve at year end for use in 2020/21.

## Reserves

£1m has been transferred from the Police Fund (General Reserve) to Budget Equalisation Reserve to fund the medium term financial plan. The balance in The Police Fund is now £5.0m. The total earmarked reserves are £22.3m (including both a share of regional jointly controlled reserves as well as reserves held on behalf of partners) an increase of £3.6m.

# Narrative Report by the Chief Finance Officer

## Retirement Benefits

Accounting for Retirement Benefits in the 2019/20 Statement of Accounts has resulted in a pension liability of £2,295m compared to £2,283m in 2018/19. The increase in the liability is due to the actuarial losses arising from changes in the financial assumptions, lower than expected investment returns offset by changes to demographic assumptions and experience gains following the full revaluation of the Local Government Scheme.

The pension liability includes provision for the potential impact of:

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

The remedy to be applied to the public sector pension schemes is still to be determined. The accounting figures for 2020 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year. More detail regarding the McCloud and GMP issues is provided in note 27.

The police officer pension scheme liability is £2,208m with the balance relating to the Local Government Pension Scheme (LGPS).

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

## Capital spending

£8.0m was spent on improving the estate, investing in information technology and the vehicle fleet. This was funded by a combination of internal borrowing, grant, asset sales, third party income and revenue contributions. This capital spending resulted in non-current asset additions of £7.9m with £0.2m being charged to the Comprehensive Income and Expenditure Statement as 'Revenue Expenditure Financed from Capital resources Under Statute' (REFCUS – see Note 14). No external long term borrowing was taken out during 2019/20. Outstanding external debt at the year-end was £12.4m (excluding accruals for interest payable).

The 'Estates' projects undertaken include the completion of the evidential property store, refurbishment of Keyham Lane and Force Gym facilities and remodelling of FHQ accommodation to accommodate the new Forensic Investigator lab requirements.

The IT programme includes:

- Investment in the data network and storage to ensure network performance and support new services such as enhanced CCTV for custody and site security.
- The implementation of the National Enabling Programme (NEP) Office 365 cloud service, 2019/20 is the second year of developments.
- Significant investment in the smartphone fleet to facilitate the on-going use of agile services.
- Provision for the on-going development of Pronto.
- Openscape 4000 project (CMD Telephony) to develop new methods of contact eg web chat, social media and video contact.
- Equipping Force Meeting rooms with audio visual and video conferencing facilities.
- Purchase of airwave terminals to future proof the service until the new 'emergency services network' is available.

Capital expenditure has also been incurred on the rolling programme of ANPR camera replacements (including vehicle fits), Force wide security works, Custody CCTV replacement and planned replacements of the existing vehicle fleet.

No properties were disposed of during 2019/20.

## Looking Forward - Budget 2020/21 and beyond

In January 2020, following sustained lobbying by the PCC, the Chief Constable and colleagues in other force areas, the Policing Minister announced that the local precept could be increased by £10 per annum for a Band D property, the expectation from Government being that the full increase would be implemented by Police and Crime Commissioners.

# Narrative Report by the Chief Finance Officer

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

The Commissioner welcomed the additional revenue grant funding provided to support both the recruitment and infrastructure costs associated with the Government's national Police Uplift Programme. This aims to provide 20,000 additional officers over the coming three year period. It was confirmed that Leicestershire Police's share of this will be 89 officers during 2020/21. Future year allocations are yet to be confirmed.

The Commissioner also decided that he would continue to utilise some of the cash reserves beyond 2021 to further enhance policing services across the area. The use of these reserves alongside the increase in the precept will allow for the recruitment of 100 additional police officers and 20 PCSOs during the year and for this to be sustained over the medium term.

Prior to setting the precept the Commissioner carried out a consultation exercise. There were almost 700 responses from people who stated they were local council tax payers in the area. Of these, 51% were in favour of an increase of £10 per year, on a Band D property in order to protect and enhance the current level of policing services.

Lord Bach's Budget and Precept for 2020/21 continued to develop the themes contained within the Police and Crime Plan and build upon the approach taken in previous years. The proposals did include an increase of £10 per year for a Band D property and utilised the prudent use of reserves to ensure the significant investment referred to earlier were funded. The proposals recommended a total revenue net budget for 2020/21 of £199.9m alongside a capital programme of £10.2m

The proposals were considered by the Police and Crime Panel in February 2020 and were unanimously supported.

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

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

Whilst the funding made available to the Police and Crime Commissioner increased during 2019/20 and 2020/21 there remains a high degree of uncertainty about future levels of funding for local government. This uncertainty has increased due to the global Covid-19 pandemic. Many organisations have had to adapt how they work to maintain essential services and safeguard their employees wherever possible. The OPCC/Group has adapted along with its partners to continue to keep communities safe in these challenging times. The additional costs incurred due to Covid-19 are being monitored. The Home Office and Treasury are currently reviewing the options around reimbursement of forces of Covid-19 costs however, these have not yet been finalised.

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

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

## Organisational Risks

When the budget for 2020/21 was set a number of risks were highlighted in relation to the following that could impact upon the budget plans:

- Police Staff job evaluation
- Pay inflation
- The Emergency Services network
- The National Police Air Service (NPAS)

# Narrative Report by the Chief Finance Officer

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

<https://www.leics.pcc.police.uk/Planning-and-Money/Finance/Budget-Information/Budget-2020-2021.aspx>

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

- Evolving the digital futures strategy
- The maintenance of workforce well-being
- Meeting increased demand
- The job evaluation scheme

A further risk that should be highlighted relates to the Independent Inquiry into Child Sex Abuse (IICSA). This is a public enquiry that could have significant cost implications. A further note on this particular issue is included under the Note 37 – Contingent Liabilities.

## Explanation of the financial report

The Financial Statements set out the income and expenditure and the financial position of the 'Group' and the PCC for Leicestershire for the year ending 31<sup>st</sup> March 2020.

The accounts for 2019/20 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority.

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

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

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

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

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

# Narrative Report by the Chief Finance Officer

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

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

The presentation of the 2019/20 Financial Statements reflects the new reporting formats introduced by the 'Code' in 2016/17. An 'Expenditure and Funding Analysis' is now included in the notes.

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pension benefits earned by employees. However, statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year. The Expenditure and Funding Analysis aims to demonstrate to council tax payers how the funding available to the Group (i.e. government grants, council tax) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows the movement on the cash backed reserves that are available to the Group.

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

### Movement in Reserves Statement

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

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

### Comprehensive Income and Expenditure Statement

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

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

### Balance Sheet

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

- Usable reserves - those reserves that the OPCC/Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). These include reserves that are earmarked for a specific purpose.
- Unusable reserves - those that the OPCC/Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

### Cash Flow Statement

This statement shows the movement in cash and cash equivalents of the OPCC/Group during the reporting period. The statement shows how the OPCC/Group generates and uses cash and cash equivalents by classifying cash

The OPCC for Leicestershire

# Narrative Report by the Chief Finance Officer

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

## Notes to the core financial statements

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

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

## The supplementary financial statements:

### Pension Fund Account

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

## Non-audited supplementary documents

### Narrative Report

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

### Statement of responsibilities

The purpose of the Statement of Responsibilities for the Chief Finance Officer is 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.

**Paul Dawkins**  
**Chief Finance Officer**  
**31<sup>st</sup> July**

### ***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 2020 has been prepared and was considered at the Joint Audit, Risk Assurance Panel (JARAP) on XXXX 2020 who delegated authority to their chairman for final sign off as set out in the report to the panel.

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

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

In preparing this Statement of Accounts the CFO, has:

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

The Chief Finance Officer has also:

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

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the OPCC/Group at the reporting date and of its income and expenditure for the year ended 31<sup>st</sup> March 2020.

**Paul Dawkins**  
**Chief Finance Officer**  
**31<sup>st</sup> July**

## Comprehensive Income & Expenditure Statement (Group)

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

2018/19				Note	2019/20		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
214,188	(19,749)	194,439	Policing Services		236,948	(21,008)	215,940
1,358	(73)	1,285	Corporate & Democratic Core		1,452	(81)	1,371
4,984	(1,268)	3,716	Commissioning		6,116	(3,258)	2,858
114,348	-	114,348	Non-Distributed Costs	27	57	-	57
<b>334,878</b>	<b>(21,090)</b>	<b>313,788</b>	<b>Cost of services</b>	<b>2</b>	<b>244,573</b>	<b>(24,347)</b>	<b>220,226</b>
(81)	-	(81)	Other operating expenditure	3	124	-	124
54,253	(141)	54,112	Financing and investment income & expenditure	4	57,141	(173)	56,968
-	(178,584)	(178,584)	Taxation & non-specific grant income	5	-	(188,239)	(188,239)
-	(31,263)	(31,263)	Grant received from the Home Office in respect of the pension fund account	27	-	(26,151)	(26,151)
<b>389,050</b>	<b>(231,078)</b>	<b>157,972</b>	<b>(Surplus) or deficit on provision of services</b>		<b>301,838</b>	<b>(238,910)</b>	<b>62,928</b>
		308	(Surplus) / deficit on revaluation of non-current assets	29			1,169
		45,500	Actuarial (gains) / losses on pension assets/liabilities	26			(48,973)
		<b>45,808</b>	<b>Other comprehensive income &amp; expenditure</b>				<b>(47,804)</b>
		<b>203,780</b>	<b>Total comprehensive income &amp; expenditure</b>				<b>15,124</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.

2018/19				Note	2019/20		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
1,274	(73)	1,201	Corporate & Democratic Core		1,357	(81)	1,276
4,984	(1,268)	3,716	Commissioning		6,116	(3,258)	2,858
<b>6,258</b>	<b>(1,341)</b>	<b>4917</b>	<b>Cost of services</b>		<b>7,473</b>	<b>(3,339)</b>	<b>4,134</b>
202,701	-	202,701	Intra-group Transfer		210,780	-	210,780
(81)	-	(81)	Other operating expenditure	3	124	-	124
657	(126)	531	Financing and investment income & expenditure	4	709	(173)	536
-	(178,584)	(178,584)	Taxation & non-specific grant income	5	-	(188,239)	(188,239)
-	(31,263)	(31,263)	Grant received from the Home Office in respect of the pension fund account	27	-	(26,151)	(26,151)
<b>209,535</b>	<b>(211,314)</b>	<b>(1,779)</b>	<b>(Surplus) or deficit on provision of services</b>		<b>219,086</b>	<b>(217,902)</b>	<b>1,184</b>
		308	(Surplus) / deficit on revaluation of non-current assets	29			1,169
		-	Actuarial (gains) / losses on pension assets/liabilities	26			-
		<b>308</b>	<b>Other comprehensive income &amp; expenditure</b>				<b>1,169</b>
		<b>(1,471)</b>	<b>Total comprehensive income &amp; expenditure</b>				<b>2,353</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 2019 £000		Note	31 <sup>st</sup> March 2020 £000
1,586	Intangible assets	12	1,887
71,036	Property, Plant & Equipment	13	70,172
-	Assets held for sale	15	-
236	Investment property		236
872	Long term debtors	16	18
<b>73,730</b>	<b>Total long term assets</b>		<b>72,313</b>
141	Inventories		151
22,698	Short term debtors	16	19,127
10	Short term investments		10
14,226	Cash & cash equivalents	17	8,941
<b>37,075</b>	<b>Current assets</b>		<b>28,229</b>
(16,107)	Short term creditors	19/32	(19,232)
(10,132)	Short term borrowing	20	(1,854)
(984)	Provisions	22	(848)
<b>(27,223)</b>	<b>Current liabilities</b>		<b>(21,934)</b>
<b>9,852</b>	<b>Net current assets</b>		<b>6,295</b>
(12,399)	Long term borrowing	20	(10,676)
(39)	Deferred liabilities	18	-
(628)	Grants Receipts in Advance - Capital	11	(353)
(2,282,561)	Liability related to defined benefit pension schemes	27	(2,294,748)
<b>(2,295,627)</b>	<b>Long term liabilities</b>		<b>(2,305,777)</b>
<b>(2,212,045)</b>	<b>Net assets / (liabilities)</b>		<b>(2,227,169)</b>
(25,149)	Usable reserves*	23	(27,757)
2,237,194	Unusable reserves	24	2,254,926
<b>2,212,045</b>	<b>Total reserves</b>		<b>2,227,169</b>

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

**Re-certification**

The **draft** financial statements on **pages 1 to 94** were authorised for issue on **31<sup>st</sup> July 2020**.

**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 2019 £000		Note	31 <sup>st</sup> March 2020 £000
1,586	Intangible assets	12	1,887
71,036	Property, Plant & Equipment	13	70,172
-	Assets held for sale	15	-
236	Investment property		236
843	Long term debtors	16	-
<b>73,701</b>	<b>Total long term assets</b>		<b>72,295</b>
141	Inventories		151
22,597	Short term debtors	16	19,027
10	Short term investments		10
14,226	Cash & cash equivalents	17	8,941
<b>36,974</b>	<b>Current assets</b>		<b>28,129</b>
(9,214)	Short term creditors	19/32	(11,387)
(10,132)	Short term borrowing		(1,854)
(984)	Provisions	22	(848)
(3,145)	Inter – Group Creditor		(3,525)
<b>(23,475)</b>	<b>Current liabilities</b>		<b>(17,614)</b>
<b>13,499</b>	<b>Net current assets</b>		<b>10,515</b>
(12,399)	Long term borrowing	20	(10,676)
(39)	Deferred liabilities	18	-
(628)	Grants Receipts in Advance - Capital	11	(353)
<b>(13,066)</b>	<b>Long term liabilities</b>		<b>(11,029)</b>
<b>74,134</b>	<b>Net assets / (liabilities)</b>		<b>71,781</b>
(25,149)	Usable reserves*	23	(27,757)
(48,985)	Unusable reserves	24	(44,024)
<b>(74,134)</b>	<b>Total reserves</b>		<b>(71,781)</b>

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

**Re-certification**

The draft financial statements on pages 1 to 94 were authorised for issue on 31<sup>st</sup> July 2020.

## 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.

2019/20	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
<i>Note</i>	23	23	23	23	24	
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2019</b>	<b>(6,000)</b>	<b>(18,663)</b>	<b>(486)</b>	<b>(25,149)</b>	<b>2,237,194</b>	<b>2,212,045</b>
<b>Movement in reserves during 2019/20</b>	-	-	-	-	-	-
Surplus or deficit on the provision of services	62,928	-	-	<b>62,928</b>	-	<b>62,928</b>
Other Comprehensive Income and Expenditure		-	-	-	(47,804)	<b>(47,804)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>62,928</b>	<b>-</b>	<b>-</b>	<b>62,928</b>	<b>(47,804)</b>	<b>15,124</b>
Adjustments between accounting basis and funding basis under regulations	(65,536)		-	<b>(65,536)</b>	65,536	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,608)</b>	<b>-</b>	<b>-</b>	<b>(2,608)</b>	<b>17,732</b>	<b>15,124</b>
Transfers to/from Earmarked Reserves	3,608	(3,608)	-	-	-	-
<b>Increase or Decrease in 2019/20</b>	<b>1,000</b>	<b>(3,608)</b>	<b>-</b>	<b>(2,608)</b>	<b>17,732</b>	<b>15,124</b>
<b>Balance at 31 March 2020</b>	<b>(5,000)</b>	<b>(22,271)</b>	<b>(486)</b>	<b>(27,757)</b>	<b>2,254,926</b>	<b>2,227,169</b>

## Core financial statements

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

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

2019/20	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
<i>Note</i>	23 £000	23 £000	23 £000	23 £000	24 £000	£000
<b>Balance at 31 March 2019</b>	<b>(6,000)</b>	<b>(18,663)</b>	<b>(486)</b>	<b>(25,149)</b>	<b>(48,985)</b>	<b>(74,134)</b>
<b>Movement in reserves during 2019/20</b>	-	-	-	-	-	-
Surplus or deficit on the provision of services	1,184	-	-	1,184	-	1,184
Other Comprehensive Income and Expenditure		-	-	-	1,169	1,169
<b>Total Comprehensive Income and Expenditure</b>	<b>1,184</b>	<b>-</b>	<b>-</b>	<b>1,184</b>	<b>1,169</b>	<b>2,353</b>
Adjustments between accounting basis and funding basis under regulations	(3,792)	-	-	(3,792)	3,792	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,608)</b>	<b>-</b>	<b>-</b>	<b>(2,608)</b>	<b>4,961</b>	<b>2,353</b>
Transfers to/from Earmarked Reserves	3,608	(3,608)	-	-	-	-
<b>Increase or Decrease in 2019/20</b>	<b>1,000</b>	<b>(3,608)</b>	<b>-</b>	<b>(2,608)</b>	<b>4,961</b>	<b>2,353</b>
<b>Balance at 31 March 2020</b>	<b>(5,000)</b>	<b>(22,271)</b>	<b>(486)</b>	<b>(27,757)</b>	<b>(44,024)</b>	<b>(71,781)</b>

## Core financial statements

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

2018/19 £000		Note	2019/20 £000
157,972	<b>Net (surplus) or deficit on the provision of services</b>		<b>62,928</b>
(159,019)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33.2	(76,650)
3,282	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33.3	1,369
<b>2,235</b>	<b>Net cash flows from operating activities</b>		<b>(12,353)</b>
6,231	Investing activities	34	7,598
(9,561)	Financing activities	35	10,040
<b>(1,095)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>5,285</b>
(13,131)	Cash and cash equivalents at the beginning of the reporting period	17	(14,226)
<b>(14,226)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	17	<b>(8,941)</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.

2018/19 £000		Note	2019/20 £000
(1,779)	<b>Net (surplus) or deficit on the provision of services</b>		<b>1,184</b>
732	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33.2	(14,906)
3,282	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33.3	1,369
<b>2,235</b>	<b>Net cash flows from operating activities</b>		<b>(12,353)</b>
6,231	Investing activities	34	7,598
(9,561)	Financing activities	35	10,040
<b>(1,095)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>5,285</b>
(13,131)	Cash and cash equivalents at the beginning of the reporting period	17	(14,226)
<b>(14,226)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	17	<b>(8,941)</b>

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

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

GROUP 2019/20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(61,160)	-	-	61,160
Council tax and NDR (transfers to or from the Collection Fund)	(269)	-	-	269
Holiday pay (transferred to the Accumulated Absences reserve)	(593)	-	-	593
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,057)	-	(1,091)	7,148
<b>Total Adjustments to Revenue Resources</b>	<b>(68,079)</b>	<b>-</b>	<b>(1,091)</b>	<b>69,170</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,582	-	-	(1,582)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	961	-		(961)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,543</b>	<b>-</b>	<b>-</b>	<b>(2,543)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-
Application of capital grants to finance capital expenditure	-	-	1,091	(1,091)
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>1,091</b>	<b>(1,091)</b>
<b>Total Adjustments</b>	<b>(65,536)</b>	<b>-</b>	<b>-</b>	<b>65,536</b>

## Notes to the core financial statements

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

OPCC 2019/20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	-			-
Council tax and NDR (transfers to or from the Collection Fund)	(269)			269
Holiday pay (transferred to the Accumulated Absences reserve)	(9)			9
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,057)		(1,091)	7,148
<b>Total Adjustments to Revenue Resources</b>	<b>(6,335)</b>	<b>-</b>	<b>(1,091)</b>	<b>7,426</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-		-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,582			(1,582)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	961			(961)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,543</b>	<b>-</b>	<b>-</b>	<b>(2,543)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		-		-
Application of capital grants to finance capital expenditure			1,091	(1,091)
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>1,091</b>	<b>(1,091)</b>
<b>Total Adjustments</b>	<b>(3,792)</b>	<b>-</b>	<b>-</b>	<b>3,792</b>

## Notes to the core financial statements

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

## Notes to the core financial statements

### 2. Expenditure and Funding Analysis

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

2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000
173,657	20,782	194,439
1,287	(2)	1,285
3,716	-	3,716
-	114,348	114,348
<b>178,660</b>	<b>135,128</b>	<b>313,788</b>
(175,708)	19,892	(155,816)
<b>2,952</b>	<b>155,020</b>	<b>157,972</b>
(27,615)		
2,952		
<b>(24,663)</b>		

<b>GROUP</b>	2019/20		
	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
<i>Note</i>		<i>2.1</i>	
Policing Services	179,775	36,165	215,940
Corporate & Democratic Core	1,362	9	1,371
Commissioning	2,858	-	2,858
Non-Distributed Costs	-	57	57
<b>Net Cost of Services</b>	<b>183,995</b>	<b>36,231</b>	<b>220,226</b>
Other Income and Expenditure	(186,603)	29,305	(157,298)
<b>Surplus or Deficit on Provision of Services</b>	<b>(2,608)</b>	<b>65,536</b>	<b>62,928</b>
Opening Combined General Fund Balance	(24,663)		
Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	(2,608)		
<b>Closing Combined General Fund Balance</b>	<b>(27,271)</b>		

## Notes to the core financial statements

2018/19			2019/20			
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	<b>OPCC</b>	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	<i>Note</i>	£000	£000	£000
1,203	(2)	1,201		1,267	9	1,276
3,716	-	3,716		2,858	-	2,858
-	-	-		-	-	-
<b>4,919</b>	<b>(2)</b>	<b>4,917</b>		<b>4,125</b>	<b>9</b>	<b>4,134</b>
(1,967)	(4,729)	(6,696)		(6,733)	3,783	(2,950)
<b>2,952</b>	<b>(4,731)</b>	<b>(1,779)</b>		<b>(2,608)</b>	<b>3,792</b>	<b>1,184</b>
(27,615)				(24,663)		
2,952				(2,608)		
<b>(24,663)</b>				<b>(27,271)</b>		

### 2.1 Note to Expenditure and Funding Analysis

GROUP	2019/20				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	6,342	30,822	(999)	-	36,165
Corporate & Democratic Core	-	-	9	-	9
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	57	-	-	57
<b>Net Cost of Services</b>	<b>6,342</b>	<b>30,879</b>	<b>(990)</b>	<b>-</b>	<b>36,231</b>
Other Income and Expenditure	(1,245)	30,281	269	-	29,305
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>5,097</b>	<b>61,160</b>	<b>(721)</b>	<b>-</b>	<b>65,536</b>

## Notes to the core financial statements

GROUP	2018/19				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	(436)	23,668	(2,450)	-	20,782
Corporate & Democratic Core	-	-	(2)	-	(2)
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	114,348	-	-	114,348
<b>Net Cost of Services</b>	<b>(436)</b>	<b>138,016</b>	<b>(2,452)</b>	<b>-</b>	<b>135,128</b>
Other Income and Expenditure	(2,474)	22,318	48	-	19,892
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(2,910)</b>	<b>160,334</b>	<b>(2,404)</b>	<b>-</b>	<b>155,020</b>

OPCC	2019/20				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Corporate & Democratic Core	-	-	9	-	9
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	-	-	-	-
<b>Net Cost of Services</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>9</b>
Other Income and Expenditure	5,096	-	(1,313)	-	3,783
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>5,096</b>	<b>-</b>	<b>(1,304)</b>	<b>-</b>	<b>3,792</b>

OPCC	2018/19				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Corporate & Democratic Core	-	-	(20)	-	(2)
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	-	-	-	-
<b>Net Cost of Services</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>
Other Income and Expenditure	(2,911)	-	(1,818)	-	(4,729)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(2,911)</b>	<b>-</b>	<b>(1,820)</b>	<b>-</b>	<b>(4,731)</b>

## Notes to the core financial statements

### 2.2 Expenditure and Income Analysed by Nature (Group)

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

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

2018/19 £000	Nature of Expenditure or Income	Note	2019/20 £000
97,457	Police officer pay and allowances		106,068
52,709	Police staff pay and allowances		54,951
3,284	Police pensions		3,237
23,668	IAS 19 Current Cost Adjustment (pensions)	27	30,822
1,243	Other employees expenses		1,509
5,013	Premises		5,863
3,657	Transport		3,394
17,347	Supplies and services		18,312
4,940	Agency and contracted services		5,537
1,285	The Office of the Police and Crime Commissioner		1,371
4,984	Commissioning Activities by the PCC		6,116
189	Revenue expenditure financed from capital resources (REFCUS)	14/30	163
4,681	Depreciation & amortisation charges	12/13	5,617
(1,510)	(Surplus) / deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	13	1,475
114,348	Non-distributed costs regarding pensions	27	57
<b>333,295</b>	<b>Gross operating expenditure</b>		<b>244,492</b>
(4,881)	Income from government grants	11	(9,194)
(10,714)	Income from fees and charges		(10,207)
(2,644)	Contributions from other local authorities		(1,607)
(1,268)	Commissioning grant		(3,258)
<b>313,788</b>	<b>Cost of services</b>		<b>220,226</b>
(81)	Other operating expenditure	3	124
54,112	Financing and investment income & expenditure	4	56,968
(178,584)	Taxation & non-specific grant income	5	(188,239)
(31,263)	Grant received from the Home Office in respect of the pension fund account	27	(26,151)
<b>157,972</b>	<b>(Surplus) or deficit on provision of services</b>		<b>62,928</b>
308	(Surplus) / deficit on revaluation of non-current assets	29	1,169
45,500	Actuarial (gains) / losses on pension assets/liabilities	26	(48,973)
<b>45,808</b>	<b>Other comprehensive income &amp; expenditure</b>		<b>(47,804)</b>
<b>203,780</b>	<b>Total comprehensive income &amp; expenditure</b>		<b>15,124</b>

### 3. Other operating expenditure (Group & OPCC)

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

2018/19 Outturn £000		Note	2019/20 Outturn £000
(81)	(Gains)/losses on the disposal of non-current assets	12/13	124
<b>(81)</b>			<b>124</b>

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

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

2018/19 OPCC £000	2018/19 Group £000		Note	2019/20 OPCC £000	2019/20 Group £000
672	672	Interest payable and similar charges		709	709
-	53,581	Pensions net interest cost	27	-	56,432
(104)	(104)	Interest receivable and similar income		(149)	(149)
(22)	(22)	Income and expenditure in relation to investment properties		(24)	(24)
(15)	(15)	Changes in the market value of investment properties	30	-	-
<b>531</b>	<b>54,112</b>			<b>536</b>	<b>56,968</b>

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

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

2018/19 Outturn £000		Note	2019/20 Outturn £000
(63,749)	Council tax income	8	(72,239)
(73,364)	Police grant		(74,765)
(39,093)	Ex-CLG grant		(39,866)
(2,378)	Capital grants and contributions		(1,369)
<b>(178,584)</b>			<b>(188,239)</b>

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

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

## 6. Officers' remuneration (Group & OPCC)

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

2019/20	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£	£	£	£
				Note 1	Note 2		
<b>The Office of the CC</b>							
Chief Constable	-	151,317		4,540	8,903	-	164,760
Deputy Chief Constable	-	124,830		3,376	5,027	38,697	171,930
Assistant Chief Constables							
Senior Police Officer L (until 28/04/19)	-	8,806		281	391	2,256	11,734
Senior Police Officer N	-	113,851		3,376	5,027	34,921	157,175
Senior Police Officer O	-	103,546		-	5,027	27,466	136,039
Senior Police Officer P (Commenced 28/12/19)	4	29,079	-	658	1,419	7,832	38,988
Assistant Chief Officers							
Finance Director	6	103,079	-	-	5,515	22,471	131,065
Human Resources (from 01/08/19 until 01/12/19)	6	28,868	-	-	625	6,344	35,837
Human Resources (Commenced 13/01/2020)	6	18,974	-	-	1,220	4,136	24,330
		682,350	-	12,231	33,154	144,123	871,858
<b>Office of the PCC</b>							
Chief Executive	7	86,006	-	-	-	18,749	104,755
Chief Financial Officer (until 08/09/2019)	7	31,651	-	-	-	6,660	38,311
		117,657	-	-	-	25,409	143,066
<b>Group</b>	<b>-</b>	<b>800,007</b>	<b>-</b>	<b>12,231</b>	<b>33,154</b>	<b>169,532</b>	<b>1,014,924</b>

**Note 1** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependant upon when the officer joined the Force).

**Note 2** - Expense allowances include car allowances for employees who provide their own vehicles and private health care.

**Note 3** – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

**Note 4** – Senior Officer P (ACC rank) commenced on the 20<sup>th</sup> December on an annualised salary of £103,021

**Note 6** – From August 2019 the arrangement with Northamptonshire to share an Assistant Chief (Human Resources) ceased. The remuneration associated with the post for the period April to July is reflected in the Northamptonshire accounts with Leicestershire contributing towards the costs. A new role has now been established in Leicestershire on an annualised salary of £87,138. This was covered on a temporary basis by the Head of HR until the 1<sup>st</sup> December. The new post holder took up their position on the 13<sup>th</sup> January 2020.

**Note 7** – From the September 2019, The Assistant Chief Officer (Finance & Resources) for Leicestershire is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner. The senior officer remuneration in respect of the CFO role is disclosed in the Statement of Accounts for the Chief Constable

## Notes to the core financial statements

and Police and Crime Commissioner Group financial statements. For 2019/20 the OPCC contributed £4k towards these costs. Prior to September 2019 the Assistant Chief Officer (Finance and Resources) was shared between Leicestershire and Northamptonshire.

2018/19	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£	£	£	£
				Note 1	Note 2		
<b>The Office of the CC</b>							
Chief Constable		147,923		4,540	8,903	13,330	174,696
Deputy Chief Constable		122,031		3,376	5,027	25,993	156,427
Assistant Chief Constables							
Senior Police Officer J (until 28/02/19)	4	111,792	5,630	3,138	-	13,382	133,942
Senior Police Officer L		102,557		3,376	5,027	18,449	129,409
Senior Police Officer N		104,860		3,376	5,027	18,449	131,712
Senior Police Officer O ( <i>Commenced 06/01/19</i> )	5	23,776			1,189	4,400	29,365
Assistant Chief Officers							
Finance Director	6	98,936		-	5,435	20,579	124,950
Human Resources	6	-	-	-	-	-	-
		711,875	5,630	17,806	30,608	114,582	880,501
<b>Office of the PCC</b>							
Chief Executive		76,884		-	-	15,992	92,876
Chief Financial Officer		71,649		-	-	14,903	86,552
		148,533	-	-	-	30,895	179,428
<b>Group</b>		<b>860,408</b>	<b>5,630</b>	<b>17,806</b>	<b>30,608</b>	<b>145,477</b>	<b>1,059,929</b>

**Note 1** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependant upon when the officer joined the Force).

**Note 2** - Expense allowances include car allowances for employees who provide their own vehicles and private health care.

**Note 3** – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

**Note 4** – Senior Officer J was seconded to a national role up until their retirement on the 28<sup>th</sup> February 2019.

**Note 5** – Senior Officer O (ACC rank) commenced as the Leicestershire ACC on the 6<sup>th</sup> January 2019 on an annualised salary of £100,509.

**Note 6** – From the 1<sup>st</sup> April 2018 the Assistant Chief Officer (Finance & Resources) and Assistant Chief Officer (Human Resources) posts were shared between Leicestershire and Northamptonshire. The Assistant Chief Officer (Finance & Resources) post is employed by Leicestershire and the total salary costs associated with this post are included in the table above. The costs associated with the Assistant Chief Officer (Human Resources) post are reflected in the Northamptonshire accounts and Leicestershire contributes towards these costs.

## Notes to the core financial statements

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 £	2018/19	2019/20
	number of employees	number of employees
50,000 to 54,999	2	10
55,000 to 59,999	2	3
60,000 to 64,999	2	2
65,000 to 69,999	8	6
70,000 to 74,999	-	3
75,000 to 79,999	3	1
80,000 to 84,999	1	-
85,000 to 89,999	3	2
90,000 to 94,999	1	2
95,000 to 99,999	-	1
155,000 to 160,000	-	-

- The bandings only include the remuneration of employees and senior police officers who have not been disclosed individually; i.e. above the rank of Superintendent.
- Four of the above posts are National / seconded positions for which the Force receives external funding.
- Leicestershire OPCC is the lead employer for the following regional teams; East Midlands Special Operations Unit, East Midlands Collaborative Human Resources Service (EMCHRS) Learning & Development and Occupational Health, and Emergency Services Network Collaboration, seven of the police staff employees and one police officer included in the table above work in the regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.

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

### Group

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	2	2	2	2	4	4	33,949	37,547
£20,001 - £40,000	-	1	-	-	-	1	-	24,264
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	1	-	-	-	1	-	76,469
£80,001 - £100,000	1	-	-	-	1	-	88,778	-
£100,001 - £150,000	-	1	1	-	1	1	120,618	131,223
<b>total</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>7</b>	<b>243,345</b>	<b>269,503</b>

The table above only includes the exit packages for employees who have not been disclosed individually.

The OPCC/Group terminated the contracts of a number of employees in 2019/20, incurring liabilities of £270k (£243k in 2018/19). One of the Police Staff employees included in the table above worked in a shared role with Northamptonshire Police and Leicestershire has therefore only met 50% of their costs.

### 7. Jointly Controlled Operations (Group)

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

#### East Midlands (EM) Jointly Controlled Operations

Jointly Controlled Operation	Member Forces	Ownership %	Lead Force
EM Special Operations Unit <i>(inc Technical Support Unit)</i>	All 5 Forces	22.90 %	Leicestershire
EM Major Crime	All 5 Forces	22.90 %	Leicestershire
EM Forensics	All 5 Forces	22.90 %	Derbyshire
EM Criminal Justice	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.30 %	Lincolnshire
EM Operational Support Service	Leicestershire, Northamptonshire and Lincolnshire <i>(From the 1<sup>st</sup> May 2018 – 31<sup>st</sup> May 2020)</i>	44.90 %	Lincolnshire
Specialist Operations Training	Leicestershire, Northamptonshire and Lincolnshire <i>(From the 1<sup>st</sup> June 2020)</i>	44.90%	Leicestershire
EM Legal Services	All 5 Forces	22.90 %	Derbyshire
EM Occupational Health	All 5 Forces	22.90 %	Leicestershire
EM Learning & Development	Leicestershire, Nottinghamshire, Northamptonshire and Derbyshire	26.36 %	Leicestershire
EM HR Shared Service Centre	Leicestershire & Derbyshire	50.00 %	Derbyshire
EM ESN Programme Team	All 5 Forces	22.60 %	Leicestershire
ASU (Hangar Only)	Leicestershire, Northamptonshire and Warwickshire	33.33 %	Leicestershire

The following tables relate to Leicestershire's share only.

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

2018/19 £000		2019/20 £000
1,145	Police pay & allowances	1,097
4,619	Police Staff pay & allowances	5,286
198	Other employees expenses	134
132	Premises	175
209	Transport	208
955	Supplies & services	1,001
40	Agency & contracted services	718
(938)	Income from Government Grants	(827)
(214)	Income from Fees & charges	(413)
(6,358)	Funding provided to the pooled budget	(7,662)
299	Depreciation & Amortisation	324
263	(Surplus) / Deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	-
<b>350</b>	<b>Cost of Services</b>	<b>41</b>
(3)	Gains / Losses on disposal of non-current assets	7
(72)	Capital Grants & Contributions	-
<b>275</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>48</b>
1	(Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)	7
<b>276</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>55</b>

**7.2 Balance Sheet Jointly Controlled Operations**

2018/19 £000		2019/20 £000
130	Intangible Fixed Assets	68
1,982	Land & Buildings	1,936
611	Vehicles & equipment	580
-	Assets Under Construction	-
<b>2,723</b>	<b>Total Long Term Assets</b>	<b>2,584</b>
1,034	Short-term Debtors	830
-	Assets held for sale	
253	Cash & Cash Equivalents	732
<b>1,287</b>	<b>Current Assets</b>	<b>1,562</b>
(570)	Short-term Creditors	(761)
<b>(570)</b>	<b>Current Liabilities</b>	<b>(761)</b>
<b>717</b>	<b>Net Current Liabilities</b>	<b>801</b>
<b>3,440</b>	<b>Net Assets</b>	<b>3,385</b>
(858)	Earmarked Reserves	(960)
<b>(858)</b>	<b>Usable Reserves</b>	(960)
(2,658)	Capital Adjustment Account	(2,527)
(62)	Revaluation Reserve	(55)
138	Accumulated Absences Account	157
<b>(2,582)</b>	<b>Unusable Reserves</b>	<b>(2,425)</b>
<b>(3,440)</b>	<b>Total Reserves</b>	<b>(3,385)</b>

**7.3 Movement in Reserves Jointly Controlled Operations**

2018/19	2019/20				
Total all JCO Reserves £000		Total General Fund £000	Earmarked Reserves £000	Total Unusable Reserves £000	Total all JCO Reserves £000
(3,716)	<b>Balance Brought Forward</b>	-	(858)	(2,582)	(3,440)
275	(Surplus) or deficit on the provision of services	48	-	-	48
1	Other comprehensive income & expenditure	7	-	-	7
<b>276</b>	<b>Total comprehensive income &amp; expenditure</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>55</b>
-	Adjustments between accounting basis & funding basis under regulations	-	-	-	-
-	Depreciation / amortisation	(324)	-	324	-
-	Disposal of non-current assets	(8)	-	8	-
-	Revaluation of non-current assets	-	-	-	-
-	Revaluation of non-current assets held for sale	-	-	-	-
-	Capital grants / contributions applied to capital expenditure	-	-	-	-
-	Revenue Expenditure Funded From Capital (REFCUS)	-	-	-	-
-	Charges for Employee Benefits	(18)	-	18	-
-	Capital grants / contributions unapplied credited / debited to CIES	-	-	-	-
-	<b>Insertion of items not debited or credited to the CIES</b>	-	-	-	-
-	Capital expenditure charged against the General Fund	200	-	(200)	-
-	Revaluation of non-current assets not charged to CIES	(7)	-	7	-
<b>276</b>	<b>Net (increase)/decrease before transfers to/(from) earmarked reserves</b>	<b>(102)</b>	<b>-</b>	<b>157</b>	<b>55</b>
-	Transfers to/(from) earmarked reserves	102	(102)	-	-
<b>276</b>	<b>(Increase)/decrease in 2018/19</b>	<b>-</b>	<b>(102)</b>	<b>157</b>	<b>55</b>
<b>(3,440)</b>	<b>Balance at end of year</b>	<b>-</b>	<b>(960)</b>	<b>(2,425)</b>	<b>(3,385)</b>

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

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

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

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

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

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

## Notes to the core financial statements

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

2018/19 £000	Amounts are shown on an accruals basis	2019/20 £000
(6,550)	Blaby District Council	(7,471)
(11,172)	Charnwood Borough Council	(12,752)
(7,109)	Harborough District Council	(7,797)
(7,614)	Hinckley & Bosworth Borough Council	(8,588)
(14,497)	Leicester City Council	(16,545)
(3,656)	Melton Borough Council	(4,157)
(6,615)	North-West Leicestershire District Council	(7,567)
(3,440)	Oadby & Wigston Borough Council	(3,894)
(3,096)	Rutland County Council	(3,468)
<b>(63,749)</b>	<b>Total</b>	<b>(72,239)</b>

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

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

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

In 2019/20 the OPCC/Group incurred the following fees relating to external audit.

2018/19		Costs	2019/20	
OPCC £000	Group £000		OPCC £000	Group £000
25	37	External audit services	25	43
<b>25</b>	<b>37</b>	<b>Total</b>	<b>25</b>	<b>43</b>

### 10. Leases (Group & OPCC)

#### 10.1 OPCC as lessee

##### Finance leases

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

##### Operating leases

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

## Notes to the core financial statements

2018/19		2019/20				
Total £000		Property £000	Vehicles £000	Photo- copiers £000	Vending machines £000	Total £000
461	Payments recognised as an expense	279	9	164	18	470
	<b>Minimum lease payments</b>					
	Payable:					
39	Not later than one year	18	9	7	15	49
178	Later than one year and not later than five years	22		160	10	192
3,512	Later than five years	3,485				3,485

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

### 10.2 OPCC as lessor (Group & OPCC)

Operating leases

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

- Space on radio masts for telecommunication services

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

2018/19 £000		2019/20 £000
	<b>Minimum lease receivables</b>	
	Receivable:	
18	Not later than one year	-
140	Later than one year and not later than five years	284
1,319	Later than five years	984

### 11. Grant income (Group & OPCC)

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

2018/19 £000		2019/20 £000
	<b>Credited to services:</b>	
(2,484)	Dedicated Security Grant	(2,825)
(104)	Tri Force Collaboration	-
(457)	Special Operations	(462)
-	Serious Violent Crime Initiatives	(1,400)
(329)	Proceeds of Crime Act /Incentivisation	(819)
-	Police Pensions Grant	(1,903)
-	Prime Minister Additional Police Officer Funding	(428)
(938)	JCOs (EMSOU & EMOpSS)	(827)
(569)	Others	(530)
<b>(4,881)</b>	<b>Total</b>	<b>(9,194)</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:

2018/19 £000	<i>Capital grants receipts in advance</i>	2019/20 £000
(575)	S106 Developer Contributions	(300)
(53)	Local Authority Contributions	(53)
<b>(628)</b>	<b>Total</b>	<b>(353)</b>

12. Intangible Assets (Group & OPCC)

2018/19 £000	Software Licenses	2019/20 £000
	<b>Balance at start of year</b>	
6,706	Gross carrying amounts	5,628
(5,222)	Accumulated amortisation	(4,042)
<b>1,484</b>	<b>Net carrying amount at start of year</b>	<b>1,586</b>
157	Additions	623
(1,781)	Disposals	(11)
546	Transfers	473
(595)	Amortisation for the period	(795)
1,775	Amortisation on disposals	11
<b>1,586</b>	<b>Net carrying amount at end of year</b>	<b>1,887</b>
	Comprising:	
5,628	Gross carrying amounts	6,713
(4,042)	Accumulated amortisation	(4,826)
<b>1,586</b>		<b>1,887</b>

*Transfers*

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

*Amortisation*

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

- 1 – 10 years

*Capital commitments*

- See capital commitments under Note 13.

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

Lambert Smith Hampton (LSH) have been engaged on behalf of the OPCC/Group to provide valuation services. This is a new appointment for 2019/20. A full revaluation of the PCC's estate was undertaken in 2018/19 in accordance with the 'code' to undertake a valuation at least every 5 years. The valuation has been updated for those properties which are valued on the basis of 'depreciated replacement cost' (DRC) as at the 31<sup>st</sup> December 2019. The valuer subsequently confirmed that there had been no material change in these property values between the 31<sup>st</sup> December 2019 and the 31<sup>st</sup> March 2020. The properties valued on the basis of DRC account for approximately 75% of the 'Land and Building' balance sheet value. The impact of any movement is contained within the figures below.

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

	Land and buildings	Vehicles	Equipment	Assets under construction	Total PPE
2019/20	£000	£000	£000	£000	£000
<b>Cost or valuation</b>	-	-	-	-	-
At 1 April 2019	57,436	8,720	18,503	4,348	89,007
Additions	1,659	557	2,571	2,459	7,246
Revaluations / impairments recognised in the Revaluation Reserve	(1,754)	-	-	-	(1,754)
Revaluations / impairments recognised in the surplus/deficit on the provision of services	(1,899)	-	-	-	(1,899)
Disposals	-	(953)	(273)	-	(1,226)
Transfers	4,550	513	15	(5,551)	(473)
<b>At 31 March 2020</b>	<b>59,992</b>	<b>8,837</b>	<b>20,816</b>	<b>1,256</b>	<b>90,901</b>
<b>Accumulated depreciation and impairment</b>					
At 1 April 2019	(2)	(5,911)	(12,058)	-	(17,971)
Depreciation charge	(1,216)	(800)	(2,718)	-	(4,734)
Impairment Losses	-	(88)	-	-	(88)
Disposals	-	802	254	-	1,056
Adjustment due to revaluations – Depreciation written out to the Revaluation Reserve	584	-	-	-	584
Adjustment due to revaluations – Depreciation written out to the Comprehensive Income and Expenditure	424	-	-	-	424
<b>At 31 March 2020</b>	<b>(210)</b>	<b>(5,997)</b>	<b>(14,522)</b>	<b>-</b>	<b>(20,729)</b>
<b>Net book value</b>					
at 31 March 2020	59,782	2,840	6,294	1,256	70,172
at 31 March 2019	57,434	2,809	6,445	4,348	71,036

## Notes to the core financial statements

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

### *Transfers*

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

### *Depreciation*

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

- Buildings – 11 – 96 years
- Land – not depreciated
- Vehicles – 5 years
- Equipment – 3 – 25 years
- Assets under construction – not depreciated

## Notes to the core financial statements

### Capital commitments

As at 31st March 2020, the OPCC had entered into a number of contracts for the construction or enhancement of property, plant and equipment to be completed in 2020/21 and future years. These amounts are;

- Estates - a total of £3m - The continued refurbishment of Keyham Lane (£631k) the Dog Section (£250k), Canteen Kitchen (225k) and Amenities Block (£282k). Alterations to the Front Enquiry Desk at Loughborough (£300k). An extension to the Sexual Assault Referral Centre (£148k). Replacement of the heating and ventilation system in the Learning and Development building (£200k).
- IT – a total of £6.2m on a range of investments in Information Technology.
- Other Corporate Projects - Contact Management Department Refurbishment – Stage 2 Ergonomics £291k.

### Effects of Changes in Estimates

Lambert Smith Hampton (LSH) have taken a different view on the remaining life of the building assets. This has resulted in a downward valuation. The most significant changes are Weapons and Training and Admin 1 where the values have been reduced by £1.4m and £1.3m respectively.

### Revaluations

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

### Assets under Construction

As at 31<sup>st</sup> March 2020 we had 10 vehicles classed as Assets Under Construction as these had not been commissioned for operational purposes and a number of computer systems under development.

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

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

2018/19 £000		2019/20 £000
23,152	<b>Opening capital financing requirement</b>	24,463
	<i>Capital investment</i>	
4,687	Operational assets	5,573
5,662	Non-operational assets	2,459
	<i>Sources of finance</i>	
(904)	Capital receipts	-
(2,378)	Government grants & other contributions	(1,369)
(2)	Use of Government Grant Reserve	-
(3,887)	Revenue contribution	(961)
(1,867)	Revenue provision (incl. MRP)	(1,582)
<b>24,463</b>	<b>Closing capital financing requirement</b>	<b>28,583</b>
	<b>Explanations of movements in year</b>	
-	Increase/ (decrease) in underlying need to borrow (supported by government financial assistance)	-
1,311	Increase in underlying need to borrow (unsupported by government financial assistance)	4,120
<b>1,311</b>	<b>Increase/(decrease) in capital financing requirement</b>	<b>4,120</b>

## Notes to the core financial statements

The figure shown above for capital expenditure during 2019/20 differs from the amounts shown as additions on (a) the intangible and (b) property, plant and equipment notes (notes 12 and 13 respectively). The figure can be reconciled as follows:

2018/19 £000		2019/20 £000
10,349	Capital expenditure for the year (as above)	8,032
(189)	<b>Less:</b> Revenue expenditure financed from capital resources under statute (REFCUS) in the year	(163)
<b>10,160</b>		<b>7,869</b>

There have been no capital receipts received in the year.

### 15. Assets held for sale (Group & OPCC)

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

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

All the properties identified in the Estates Review for disposal have now been sold and as at 31<sup>st</sup> March 2020 there were no Assets classified as held for sale.

### 16. Debtors (Group & OPCC)

#### 16.1 Long-Term Debtors

At the balance sheet date, seven car loans to employees were outstanding (2018/19 - 9). The loans are made to employees who are in posts who are designated as 'essential car users', the interest rate applicable to each loan is fixed to the Bank of England base rate and is not variable during the life of the loan.

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

#### 16.2 Short-Term Debtors

31st March 2019			31st March 2020	
OPCC £000	Group £000		OPCC £000	Group £000
		<b>Short-term debtors</b>		
13,017	13,051	Central Government Bodies	8,465	8,495
7,071	7,095	Other Local Authorities	5,933	5,957
2,509	2,552	Other Entities and Individuals	4,629	4,675
<b>22,597</b>	<b>22,698</b>		<b>19,027</b>	<b>19,127</b>

Central government bodies (above) includes the Home Office pension fund top up grant of £2,627k (£8,186k in 2018/19)

Included within the Local authorities figures above are debtors in respect of the OPCC/Group's share of council tax collection fund debtors of £3,039k (£2,869k in 2018/19).

**17. Cash & cash equivalents (Group & OPCC)**

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

31st March 2019 £000		31st March 2020 £000
2,367	Bank accounts & petty cash	4,513
12,002	Cash investments (less than three months maturity)	9,005
(143)	Adjustment for cash & cash equivalents held on behalf of joint arrangements	(4,577)
<b>14,226</b>	<b>Total cash &amp; cash equivalents</b>	<b>8,941</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.

**18. Deferred liabilities (Group & OPCC)**

31st March 2019 £000		31st March 2020 £000
(39)	Leicestershire County Council	-

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

**19. Creditors (Group & OPCC)**

31st March 2019			31st March 2020	
OPCC £000	Group £000		OPCC £000	Group £000
		<b>Short-term creditors</b>		
(463)	(3,738)	Central Government Bodies	(342)	(3,985)
(3,950)	(3,950)	Other Local Authorities	(6,372)	(6,372)
(151)	(151)	NHS Bodies	(343)	(343)
(4,650)	(8,268)	Other Entities and Individuals	(4,330)	(8,532)
<b>(9,214)</b>	<b>(16,107)</b>		<b>(11,387)</b>	<b>(19,232)</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 £2,705k (£2,266k in 2018/19)

Included within the other entities and individuals figure above are creditors in respect of employee accumulated absences £4,224k (£3,631k in 2018/19). Further details are found in Note 32 (Accumulated Absences Account).

## 20. Borrowing (Group & OPCC)

### 20.1 Long term Borrowing

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

31st March 2019 £000	Maturity	31st March 2020 £000
(1,723)	not more than 2 years	-
(1,107)	more than 2 years - not more than 5 years	(1,107)
(6,527)	more than 5 years - not more than 10 years	(8,069)
(3,042)	more than 10 years - not more than 15 years	(1,500)
-	More than 15 years	-
<b>(12,399)</b>		<b>(10,676)</b>

A significant proportion of the OPCC/Group's long-term borrowing – 89.6% matures more than 5 years after the balance sheet date. The maximum amount repayable in any one year is **£3.46m**.

### 20.2 Short term Borrowing

31st March 2019 £000		31st March 2020 £000
(10,000)	Short Term Loan - less than 1 year maturity	-
-	PWLB Loan – less than 1 year maturity	(1,723)
(1)	Interest Accrual on Short-term Loan < 1 year	-
(131)	Interest Accrual on PWLB < 1 year	(131)
<b>(10,132)</b>		<b>(1,854)</b>

The £10m short-term loan relates to a loan from Barnsley Metro Borough Council for 6 months which was repaid in full on 30<sup>th</sup> September 2019.

## 21. Financial instruments (Group & OPCC)

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

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

The PWLB borrowing has a fair value that is higher than the carrying amount. This is because borrowing with the PWLB is on the basis of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The fair value of PWLB borrowing has been calculated by reference to the "premature repayment" set of rates as at 31<sup>st</sup> March 2020.

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

## Notes to the core financial statements

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

31st March 2019		Group / OPCC	31 <sup>st</sup> March 2020	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
		<b>Financial liabilities</b>		
(12,399)	(16,178)	PWLB - long term borrowing	(10,676)	(14,478)

### 22. Provisions (Group & OPCC)

	Balance at 1 April 2019 £000	additional provisions made £000	amounts used £000	unused amounts reversed £000	Balance at 31 March 2020 £000
Civil claims	(984)	(290)	300	125	(848)
<b>Total</b>	<b>(984)</b>	<b>(290)</b>	<b>300</b>	<b>125</b>	<b>(848)</b>

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

Following the successful claims in *Allard v Devon and Cornwall Police* for unpaid overtime following recalls to duty by covert human intelligence handlers, in excess of 1500 claims have been made nationally. Leicestershire has presently received 18 claims. All litigated claims are being managed as a group through the High Court in London. Test cases are presently due to be litigated in December 2020 to establish principles of remuneration. The total cost of the claims will be dependent upon the principles established in the test cases. Leicestershire has identified when officers were on call and provisional costings have been calculated. A provision of £500k is being held for these costs as there is no insurance indemnity for these claims.

### 23. Usable reserves (Group & OPCC)

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

31st March 2019 £000		Note	31 <sup>st</sup> March 2020 £000
(18,663)	Earmarked reserves	25	(22,271)
(486)	Capital grants and contributions unapplied	28	(486)
(6,000)	General fund		(5,000)
<b>(25,149)</b>	<b>Total usable reserves</b>		<b>(27,757)</b>

### 24. Unusable reserves (Group & OPCC)

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

31st March 2019	31st March 2019		Note	31st March 2020	31 <sup>st</sup> March 2020
OPCC £000	Group £000			OPCC £000	Group £000
(42,614)	(42,614)	Capital adjustment account	30	(39,038)	(39,038)
(5,780)	(5,780)	Revaluation reserve	29	(4,673)	(4,673)
(604)	(604)	Collection fund adjustment account	31	(335)	(335)
-	2,282,561	Pension reserve	26	-	2,294,748
13	3,631	Accumulated absences account	32	22	4,224
<b>(48,985)</b>	<b>2,237,194</b>	<b>Total unusable reserves</b>		<b>(44,024)</b>	<b>2,254,926</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.

## Notes to the core financial statements

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

These reserves are earmarked for the specific purposes noted below:

Reserve name	Balance at 1 April 2018	transfers out 2018/19	transfers in 18/19	Balance at 31 March 2019	transfers out 2019/20	transfers in 2019/20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
Capital expenditure	(632)	290	(23)	(365)	56	(166)	(475)
Budget equalisation	(9,649)	4,011	(3,341)	(8,979)	646	(3,598)	(11,931)
PCSOs	(2,196)	2,196	-	-	-	-	-
Proceeds of Crime Act	(532)	76	(33)	(489)	2	(473)	(960)
Carry-forwards (specific)	(1,859)	1,650	(2,252)	(2,461)	2,386	(2,073)	(2,148)
Civil claims	(1,006)	50	(956)	(956)	-	(130)	(1,086)
Adult & Child Referral Centres	(256)	91	(28)	(193)	-	-	(193)
Fleet insurance	(140)	150	(210)	(200)	150	(300)	(350)
Equipment Replacement	(603)	164	(385)	(824)	88	(319)	(1,055)
DBS	(89)	-	-	(89)	-	-	(89)
Commissioning	(1,789)	175	(190)	(1,804)	579	(27)	(1,252)
Strategic Partnership	(861)	751	-	(110)	47	-	(63)
Development Fund	-	-	-	-	-	(918)	(918)
OPCC	-	-	-	-	-	(918)	(918)
Other	(90)	5	(5)	(90)	11	(2)	(81)
IOM Underspend	(194)	-	(42)	(236)	236	-	-
<b>Subtotal : OPCC/Group (direct control)</b>	<b>(19,896)</b>	<b>9,609</b>	<b>(6,509)</b>	<b>(16,796)</b>	<b>4,201</b>	<b>(8,006)</b>	<b>(20,601)</b>
Jointly Controlled Operations	(1,122)	572	(308)	(858)	206	(308)	(960)
<b>Subtotal : OPCC/Group (incl. jointly controlled reserves)</b>	<b>(21,018)</b>	<b>10,181</b>	<b>(6,817)</b>	<b>(17,654)</b>	<b>4,407</b>	<b>(8,314)</b>	<b>(21,561)</b>
<b>Funds held on behalf of partners</b>							
Operation Liberal	(193)	-	(180)	(373)	362	-	(11)
Regional collaboration	(404)	13	-	(391)	17	-	(374)
RSU Reserve	-	-	(245)	(245)	-	(80)	(325)
<b>Grand total : OPCC/Group (incl. reserves held on behalf of partners)</b>	<b>(21,615)</b>	<b>10,194</b>	<b>(7,242)</b>	<b>(18,663)</b>	<b>4,786</b>	<b>(8,394)</b>	<b>(22,271)</b>
movement in the year		2,952			(3,608)		

#### Capital expenditure

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

#### Budget equalisation

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

#### Police Community Support Officers (PCSOs)

The balance on this reserve was transferred to the Budget Equalisation reserve during 2018/19.

#### 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 2020/21 and beyond.

### **Civil claims**

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

### **Adult & Child Referral Centres**

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

### **Fleet insurance**

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

### **DBS (Disclosure Barring Service previously Criminal Records Bureau)**

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

### **Commissioning**

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

### **Strategic Partnership Development Fund (SPDF)**

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

### **Office of the Police and Crime Commissioner**

Funds set aside to support the work of the Police and Crime Commissioner.

### **Integrated Offender Management (IOM)**

The balance on this reserve has been transferred to the Budget Equalisation Reserve (BER) during 2019/20.

### **Joint & Controlled Reserves**

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

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

### Held on Behalf of Partners

#### Operation Liberal

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

#### Regional collaboration

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

#### Road Safety Unit

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

### 26. Pensions reserve (Group & OPCC)

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

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

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

2018/19 OPCC £000	2018/19 Group £000	Group	Note	2019/20 OPCC £000	2019/20 Group £000
-	2,076,727	<b>Balance at 1<sup>st</sup> April</b>		-	2,282,561
	45,500	Total remeasurements on pensions assets and liabilities (gains/losses)	27		(48,973)
	187,947	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			94,193
	(27,613)	Employer's pensions contributions and direct payments to pensioners payable in the year	27		(33,033)
-	2,282,561	<b>Balance at 31<sup>st</sup> March</b>		-	2,294,748

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

### 27. Defined benefit pension schemes (Group & OPCC)

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

### *Participation in pension schemes*

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

The OPCC/Group participates in the following pension schemes:

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

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

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

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

Three schemes were in operation during 2019/20 as well as injury awards:

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

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

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

## Notes to the core financial statements

	Local Government Pension Scheme		Police Pension Schemes		Comprehensive Income & Expenditure Account	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	Group	Group	Group	Group	Group	Group
	£000	£000	£000	£000	£000	£000
<b>Cost of services:</b>						
Current service cost	15,898	18,600	35,383	45,255	51,281	63,855
Past service cost	3,746	57	110,602	-	114,348	57
(Gain) / loss from settlements	-	-	-	-	-	-
	19,644	18,657	145,985	45,255	165,629	63,912
<b>Other Operating Expenditure:</b>						
Home Office grant	-	-	(31,263)	(26,151)	(31,263)	(26,151)
<b>Financing &amp; investment income/expenditure:</b>						
Net Interest cost	2,617	3,250	50,964	53,182	53,581	56,432
<b>Net charge to surplus / deficit on provision of services</b>	<b>22,261</b>	<b>21,907</b>	<b>165,686</b>	<b>72,286</b>	<b>187,947</b>	<b>94,193</b>
<b>Other comprehensive income &amp; expenditure:</b>						
Return on Plan Assets (excluding the amount included in the net interest expense)	(5,965)	21,620	-	-	(5,965)	21,620
Actuarial (gains)/losses on changes in demographic assumptions	-	(11,866)	-	(35,796)	-	(47,662)
Actuarial gains and losses arising on changes in financial assumptions	31,530	(49,019)	80,436	43,604	111,966	(5,415)
Other (if applicable)	(1)	(17,516)	(60,500)	-	(60,501)	(17,516)
<b>Net charge to total comprehensive income &amp; expenditure</b>	<b>47,825</b>	<b>(34,874)</b>	<b>185,622</b>	<b>80,094</b>	<b>233,447</b>	<b>45,220</b>
<b>Statement of Movement in Reserves:</b>						
Reversal of items not permitted to be charged to the general fund by statute	(47,825)	34,874	(185,622)	(80,094)	(233,447)	(45,220)
Employer Contributions	8,963	9,439	18,650	23,594	27,613	33,033
<b>Net charge to general fund</b>	<b>8,963</b>	<b>9,439</b>	<b>18,650</b>	<b>23,594</b>	<b>27,613</b>	<b>33,033</b>
Retirement benefits payable to pensioners	n/a	n/a	n/a	n/a	n/a	n/a
<b>Analysed as:</b>						
Employers' contributions payable to schemes based on contribution rate	8,963	9,439	14,398	21,006	23,361	30,445
Employers' contributions payable to schemes – Cash Top-Up	-	-	1,846	-	1,846	-
Direct payments - Injury awards payable	-	-	2,406	2,588	2,406	2,588
<b>Total</b>	<b>8,963</b>	<b>9,439</b>	<b>18,650</b>	<b>23,594</b>	<b>27,613</b>	<b>33,033</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		Balance Sheet	
	2018/19 Group	2019/20 Group	2018/19 Group	2019/20 Group	2018/19 Group	2019/20 Group
	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(353,051)	(299,555)	(2,152,002)	(2,208,502)	(2,505,053)	(2,508,057)
Fair value of plan assets	222,492	213,309	-	-	222,492	213,309
<b>Sub total</b>	<b>(130,559)</b>	<b>(86,246)</b>	<b>(2,152,002)</b>	<b>(2,208,502)</b>	<b>(2,282,561)</b>	<b>(2,294,748)</b>
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(130,559)</b>	<b>(86,246)</b>	<b>(2,152,002)</b>	<b>(2,208,502)</b>	<b>(2,282,561)</b>	<b>(2,294,748)</b>

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

	Local Government Pension Scheme		Police Pension Schemes	
	2018/19 Group	2019/20 Group	2018/19 Group	2019/20 Group
	£000	£000	£000	£000
Opening fair value of scheme assets	<b>203,557</b>	<b>222,492</b>	-	-
Interest Income	5,591	5,435	-	-
<b>Remeasurement gain/(loss)</b>				
The return on plan assets; excluding the amount included in the net interest expense	5,965	(21,620)	-	-
Other (if applicable)	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	8,963	9,439	18,650	23,594
Employer Contributions (Top Up Grant)	-	-	31,263	26,151
Contributions from employees into the scheme	2,713	2,720	8,623	8,828
Benefits paid	(4,297)	(5,157)	(58,536)	(58,573)
Other (if applicable)	-	-	-	-
<b>Closing fair value of scheme assets</b>	<b>222,492</b>	<b>213,309</b>	<b>-</b>	<b>-</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	
	2018/19	2019/20	2018/19	2019/20
	Group	Group	Group	Group
	£000	£000	£000	£000
Opening balance at 1 April	(295,254)	(353,051)	(1,985,030)	(2,152,002)
Current Service Cost	(15,898)	(18,600)	(35,383)	(45,255)
Interest Cost	(8,208)	(8,685)	(50,964)	(53,182)
Contributions from scheme participants	(2,713)	(2,720)	(8,623)	(8,828)
<b>Remeasurement (gains) and losses</b>			-	-
Actuarial gains/losses arising from changes in demographic assumptions	-	11,866	-	35,796
Actuarial gains/losses arising from changes in financial assumptions	(31,530)	49,019	(80,436)	(43,604)
Other (if applicable)	1	17,516	60,500	-
Past service cost (including curtailments)	(3,746)	(57)	(110,602)	-
Losses/(gains) on curtailment (where relevant)	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	4,297	5,157	58,536	58,573
Liabilities extinguished on settlements (where relevant)	-	-	-	-
<b>Closing balance at 31 March</b>	<b>(353,051)</b>	<b>(299,555)</b>	<b>(2,152,002)</b>	<b>(2,208,502)</b>

The liabilities show the underlying commitments that the OCC has in the long run to pay for retirement benefits. The total net liability of £2,295m has a substantial impact on the net worth of the OCC as recorded in the balance sheet, resulting in a negative overall balance of £2,227m. However, the statutory arrangements for funding the deficit mean that the financial position of the OCC remains stable.

The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. With effect from 1<sup>st</sup> April 2019 the employer's contribution rate increased to 21.8% (20.8% for 2018/19) and is due to rise to 22.8% in 2020/21.

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

The deficit on the LGPS scheme has decreased by £44.3m between March 2019 and March 2020 due to changes in the financial assumptions and the impact of the actual versus expected membership experience since the last full valuation in March 2015.

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2018/19 resulted in an increase in the employers' contribution rate from 21.3% to 31% from April 2019. The Home Office made a specific grant of £1.9m available to assist the Force in funding the increased employer's contributions in 2019/20. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The Pension Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value as required by IAS 19. The police schemes and the Local Government Pension Scheme liabilities have been valued by Mercer and Hymans Robertson respectively. Both are independent firms of actuaries.

### **'McCloud / Sargeant' Judgement**

#### ***Police Pension Scheme***

The Chief Constable, along with other Chief Constables and the Home Office, currently has 112 claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March.

The Police Minister has indicated that remedy period will not end before 2022. It is anticipated the Treasury will consult on proposals to implement remedy in the coming months to be followed by primary legislation and scheme regulation.

#### ***Local Government Pension Scheme***

When the LGPS benefit structure was reformed in 2014, transitional protections were also applied to certain older members close to normal retirement age. It is therefore likely that the McCloud / Sargeant judgement will also apply to the scheme, although no proposals regarding the actual remedy have been announced.

#### Impact on pension liability

#### ***Police Pension Scheme***

Allowing for all officers to remain in their existing scheme as at 1 April 2015 leads to an increase in the Police Pension Scheme liabilities. The scheme actuaries estimated the potential increase in scheme liabilities for the force to be approximately 5.4% or £103m of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-19 accounts. The accounting figures for 2020 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year.

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

#### ***Local Government Pension Scheme***

Quantifying the impact of the judgement is difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Scheme actuaries adjusted GAD's estimate to better reflect the Leicestershire Pension Fund's local assumptions, particularly salary increases and withdrawal rates resulting in a potential increase in scheme liabilities of £3.5m. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-19 accounts. The accounting figures for 2020 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year.

## Notes to the core financial statements

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

### Guaranteed Minimum Pension (GMP)

Guaranteed minimum pension (GMP) was accrued by pension scheme members (officers & Staff) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes and hence scheme employers.

The pension liabilities of both schemes were increased in 2018/19 to allow for the potential impact of the GMP changes. The estimate assumed that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimates received from the actuaries were that for the Police Pension scheme the additional liability was £7.6m (equal to 0.4% of the overall ISA19 liabilities) and for the LGPS approximately £0.1m. These increases were reflected in the IAS19 disclosures as a past service cost in the 2018/19 accounts. The accounting figures for 2020 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year.

### Basis for Estimating Assets and Liabilities

	Local Gov't Scheme		Police Schemes	
	2018/19	2019/20	2018/19	2019/20
	Years	Years	Years	Years
<b>Mortality assumptions:</b>				
<b>Longevity at 65 (60 for police schemes) for current pensioners:</b>				
- Men	22.1	21.5	26	27
- Women	24.3	23.8	28	29.1
<b>Longevity at 65 (60 for police schemes) for future pensioners:</b>				
- Men	23.8	22.2	28	29.2
- Women	26.2	25.2	30	31.3

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

	Local Gov't Scheme		Police Schemes	
	2018/19	2019/20	2018/19	2019/20
• rate of inflation (increase or decrease by 1%)	3.50%	2.90%	2.20%	2.10%
• rate of increase in salaries (increase or decrease by 1%)	3.50%	2.30%	3.70%	3.60%
• rate of increase in pensions (increase or decrease by 1%)	2.50%	1.80%	2.30%	2.20%
• rate for discounting scheme liabilities (increase or decrease by 1%)	2.40%	2.30%	2.50%	2.30%

## 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

2018/19 Group	Fair Value of Scheme Assets	2019/20 Group
£000		£000
<b>6,665</b>	<b>Cash and cash equivalents</b>	<b>6,390</b>
	<i>Equity instruments: by industry type</i>	
569	Consumer	545
167	Manufacturing	160
468	Energy and utilities	449
706	Financial institutions	677
168	Health and care	157
187	Information technology	180
1,613	Other	1,547
<b>3,878</b>	<b>Sub total equity</b>	<b>3,715</b>
	<i>Bonds: by sector</i>	
18,838	UK Government	18,061
2,881	Other	2,763
<b>21,719</b>	<b>Sub total bonds</b>	<b>20,824</b>
	<i>Property: by type</i>	
16,630	UK Property	15,943
-	Overseas Property	-
<b>16,630</b>	<b>Sub total property</b>	<b>15,943</b>
	<i>Private equity</i>	
10,260	All	9,836
<b>10,260</b>	<b>Sub total private equity</b>	<b>9,836</b>
	<i>Other investment funds:</i>	
89,360	Equities	85,672
9,401	Bonds	9,014
18	Hedge Funds	18
7,869	Commodities	7,544
11,701	Infrastructure	11,218
45,274	Other	43,406
<b>163,623</b>	<b>Sub total other investment funds</b>	<b>156,872</b>
-	<i>Derivatives</i>	-
(283)	Forward foreign exchange contracts	(271)
<b>222,492</b>	<b>Total assets</b>	<b>213,309</b>

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

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

2018/19 £000		2019/20 £000
1,757	Amounts receivable in the year	1,091
(1,759)	Amounts applied to finance new capital investment in the year	(1,091)
<b>(2)</b>	<b>Total increase / (decrease) in the year</b>	-
488	Balance brought forward at 1 <sup>st</sup> April	486
<b>486</b>	<b>Balance carried forward at 31<sup>st</sup> March</b>	<b>486</b>

**29. 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.

2018/19 £000		2019/20 £000
	<b>Movements in unrealised value of non-current assets</b>	
(52)	Gains on upward revaluation of non-current assets	(233)
360	Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services	1,402
(55)	Transfer to capital adjustment account in respect of non-current asset depreciation (on a revaluation gain)	(62)
-	Transfer to capital adjustment account in respect of residual gains held at the point of disposal of a non-current asset	-
<b>253</b>	<b>Total movement on reserve in the year</b>	<b>1,107</b>
<b>(6,033)</b>	<b>Opening balance at 1<sup>st</sup> April</b>	<b>(5,780)</b>
<b>(5,780)</b>	<b>Closing balance at 31<sup>st</sup> March</b>	<b>(4,673)</b>

### 30. Capital adjustment account (Group & OPCC)

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

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

2018/19	<i>(See note 1 for further details)</i>	2019/20
<b>£000</b>		<b>£000</b>
4,681	Charges for depreciation and amortisation of non-current assets	5,617
55	Amounts transferred from revaluation reserve in respect of depreciation/amortisation	62
(1,510)	Transfer from Comprehensive Income & Expenditure Statement in respect of non-current asset revaluations	1,475
-	Revaluation on non-current assets held for sale	-
189	Revenue Expenditure funded from Capital under Statute (REFCUS)	163
-	Transfer from revaluation reserve in respect of residual gains held at the point of disposal of a non-current asset	-
914	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	171
<b>4,329</b>	<b>Net amount written-out of the cost of non-current assets consumed in the year</b>	<b>7,488</b>
(3,887)	Capital expenditure charged against the general fund	(961)
(904)	Use of the capital receipts reserve to finance new capital expenditure	-
(2,378)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(1,369)
(2)	Application of grants to capital financing from the capital grants unapplied account	-
(1,015)	Revenue provision (including MRP)	(667)
(852)	Voluntary revenue provision for capital financing	(915)
(15)	Movements in the market value of investment properties charged to the Comprehensive Income & Expenditure Statement	-
(9,053)	<b>Capital financing applied in year</b>	(3,912)
<b>(4,724)</b>	<b>Total movement during the year</b>	<b>3,576</b>
(37,890)	Opening balance at 1 <sup>st</sup> April	(42,614)
<b>(42,614)</b>	<b>Closing balance at 31<sup>st</sup> March</b>	<b>(39,038)</b>

**31. Collection fund adjustment account (Group & OPCC)**

The collection fund adjustment account represents the OPCC/Group's share of the collection fund surplus/deficit held by each council tax billing authority within Leicestershire & Rutland. For 2018/19 and 2019/20, the breakdown of the figure on the OPCC/Group's balance sheet can be analysed as follows:

The OPCC/Group's collection fund adjustment account therefore has a credit balance (surplus) of **£335k** at 31<sup>st</sup> March 2020 (2018/19- credit balance of **£604k**).

2018/19 £000		2019/20 £000
(652)	<b>Balance at 1<sup>st</sup> April</b>	<b>(604)</b>
48	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	269
<b>(604)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(335)</b>

**32. Accumulated absences account (Group & OPCC)**

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

During 2019/20 Police Officer Rest days in lieu increased from £1,074k to £1,254k and Time off in lieu from £408k to 549k. Police Staff Annual leave increased from £573k to 644k, Rest days in lieu from £219k to £264k and Time off in lieu from £233k to £339k. These increases are partly due to increases in the officer establishment but also due to officers and staff cancelling leave that would normally have been taken in March due to COVID-19.

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

2018/19 OPCC £000	2018/19 Group £000		2019/20 OPCC £000	2019/20 Group £000
(15)	(4,216)	<b>Balance at 1<sup>st</sup> April</b>	(13)	(3,631)
15	4,216	Reversal of opening accrual made at the end of the preceding year	13	3,631
(13)	(3,631)	Amounts accrued at the end of the current year	(22)	(4,224)
2	585	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	(9)	(593)
<b>(13)</b>	<b>(3,631)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(22)</b>	<b>(4,224)</b>

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

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

2018/19 OPCC £000	2018/19 Group £000		Note	2019/20 OPCC £000	2019/20 Group £000
(104)	(104)	Interest Received		(149)	(149)
671	671	Interest Paid		709	709
-	-	Dividends received		-	-
<b>567</b>	<b>567</b>			<b>560</b>	<b>560</b>

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

2018/19 OPCC £000	2018/19 Group £000		Note	2019/20 OPCC £000	2019/20 Group £000
(4,086)	(4,086)	Depreciation	13	(4,823)	(4,823)
-	-	Impairment and downward valuations		-	-
(595)	(595)	Amortisation	12	(795)	(795)
(13)	(13)	Increase/(decrease) in impairment bad debts		16	16
1,168	1,409	Increase/(decrease) in creditors/RIA		(3,199)	(3,188)
4,426	4,185	Increase/(decrease) in debtors/PIA		(4,429)	(4,441)
(81)	(81)	Increase/(decrease) in inventories		9	9
-	(160,334)	Movement in pension liability	2.1	-	(61,160)
(914)	(914)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		(171)	(171)
827	1,410	Other non-cash items charged to the net surplus or deficit on the provision of services		(1,514)	(2,097)
<b>732</b>	<b>(159,019)</b>			<b>(14,906)</b>	<b>(76,650)</b>

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

2018/19 OPCC £000	2018/19 Group £000		2019/20 OPCC £000	2019/20 Group £000
-	-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-	-
904	904	Proceeds from the sale of PP&E, investment property and intangible assets.	-	-
2,378	2,378	Any other items for which the cash effects are investing or financing flows	1,369	1,369
<b>3,282</b>	<b>3,282</b>		<b>1,369</b>	<b>1,369</b>

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

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

2018/19 OPCC £000	2018/19 Group £000		2019/20 OPCC £000	2019/20 Group £000
9,539	9,539	Purchase of Property, Plant and Equipment, Investment property and intangible assets	8,688	8,688
(904)	(904)	Purchase of short-term and long-term investments		
-	-	Other Payments for Investing Activities		
(2,404)	(2,404)	Proceeds from the sale of Property, Plant and Equipment, Investment property and intangible assets	(1,093)	(1,093)
		Proceeds from short-term and long-term investments	-	-
		Other receipts from investing activities	3	3
<b>6,231</b>	<b>6,231</b>	<b>Total Investing Activities cash flows</b>	<b>7,598</b>	<b>7,598</b>

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

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

2018/19 OPCC £000	2018/19 Group £000		2019/20 OPCC £000	2019/20 Group £000
(9,561)	(9,561)	Repayment of short/long term borrowing	10,040	10,040
<b>(9,561)</b>	<b>(9,561)</b>	<b>Total Financing Activities cash flows</b>	<b>10,040</b>	<b>10,040</b>

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

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

### 37. Contingent liabilities (Group & OPCC)

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

The impact of the McCloud Judgement has been disclosed in Note 27 - of the accounts.

The Independent Inquiry into Child Sexual Abuse (IICSA) will investigate whether public bodies and other non-state institutions have taken seriously their duty to protect children from sexual abuse in England and Wales. The Janner strand of the enquiry is due to be heard in late 2020. The PCC will be required to fund the legal costs of former officers as well as those of the Chief Constable in representing the interests of the Force. A reliable estimate of these costs cannot be made at this time and therefore it is highlighted as a contingent liability.

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

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

Whilst the funding made available to the Police and Crime Commissioner increased during 2019/20 and 2020/21 there remains a high degree of uncertainty about future levels of funding for local government. This uncertainty has increased due to the global Covid-19 pandemic. Many organisations have had to adapt how

they work to maintain essential services and safeguard their employees wherever possible. The OPCC/Group has adapted along with its partners to continue to keep communities safe in these challenging times. The additional costs incurred as a result of Covid-19 are being monitored. The Home Office and Treasury are currently reviewing options around the reimbursement of forces of Covid-19 costs however, these have not yet been finalised. The OPCC/Group has determined that this uncertainty around future funding and the additional costs of Covid-19 are not yet sufficient to provide an indication that the assets of the OPCC/Group might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

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

The introduction of the new Single State Pension in April 2016 disrupted the previous arrangements for ensuring that equality of benefits between males and females from public service pension schemes. To avoid this problem an interim solution was put in place by the UK Government for members reaching state pension age between the 6 April 2016 and 5 April 2020. However, it is likely that the interim solution will be continued beyond 2020 on the basis that UK and European law requires pension schemes to provide equal benefits to men and women. The actuaries have therefore been requested to provide estimates of the potential impact of the interim solution being applied to members reaching state pension age post 2020. These estimates were again been accounted for as a past service cost in the 2018/19 accounts and the pension liability at the 31<sup>st</sup> March 2020 continues to reflect the potential costs.

The note on Contingent Liabilities makes reference to the Independent Inquiry into Child Sexual Abuse (IICSA). It has been determined that given the absence of a reliable estimate of cost it should be considered for 2019-20 as a contingent liability. .

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

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

The items in the balance sheet at 31<sup>st</sup> March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## Notes to the core financial statements

item	Uncertainty	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the OPCC/Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £17k for every year that useful lives had to be reduced.
Property, plant and equipment	Where there is no market-based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value. 75% of the net book value of the OPCC's buildings is valued on this basis. The DRC values are reset each year using the 'instant build' approach using the latest available indices. External valuers' are engaged to undertake the valuation.	The indices used in the calculation can fluctuate year on year based on local market conditions. During 2019/20 the value of the 'specialised' buildings decreased by £4.3m.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the OPCC/Group with expert advice about the assumptions to be applied. In addition, estimates have been included for additional benefits that are likely to be become payable as a result of a legal challenge to pension transitional arrangements and changes to Guaranteed Minimum Pension (GMP). These estimates is based on a number of assumptions. (see Note 27 for further detail).	The effects on the net pension liability of changes in individual assumptions can be measured. Sensitivities are shown below. However, the assumptions interact in complex ways. During 2019/20, the OPCC's actuaries advised that the net pensions liability had increased by £12m as a result of experience, updating of the assumptions and past service costs.
<b>Sensitivity of pension liabilities: Local Government Pension Scheme</b>		
<i>Change in assumptions</i>		£000
0.5% decrease in real discount rate		35,680
0.5% increase in salary increase rate		4,770
0.5% increase in the pension increase rate		30,553
<b>Sensitivity of pension liabilities: Police Pension Schemes</b>		
<i>Change in assumptions</i>		£000
0.1% increase in real discount rate		2,164,959
1 year increase in member life expectancy		2,269,796
0.1% increase in inflation		2,252,571
0.1% increase in salary increase rate		2,216,205

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

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

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

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

### Credit risk

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

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

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

Customer credit risk has a very low overall effect on the OPCC/Group by virtue of income from customers being equal to only 4.31% of total income (2018/19 – 4.35%). The risk is managed via the OPCC/Group's credit control policy. This policy sets out the framework within which financial relationships with the OPCC/Group's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Chief Constable may authorise the write-off of unrecoverable amounts up to £10k. Amounts above £10k require the authorisation of the Chief Finance Officer for the OPCC.

To further mitigate the risk of customer credit default, the OPCC/Group assesses whether a bad debt impairment is required each year. No impairment is required for 2019/20 (2018/19 - 0.07% of the total debtors value).

### Liquidity risk

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

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

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

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

### Market risk

#### *Interest rate risk*

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

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

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

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

### *Price risk*

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

### *Foreign exchange risk*

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

## **41. Accounting policies used by the Group & OPCC**

### **A1 General principles**

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

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

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

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

### **A2 Accruals of income and expenditure**

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

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

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

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

### **A3 Exceptional items**

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

### **A4 Cash and cash equivalents**

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

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

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

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

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

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

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

### **A6 Charges to revenue for non-current assets**

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

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

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

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

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

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

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

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

### **A8 Employee benefits**

#### ***Benefits payable during employment***

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

These benefits include:

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

Data concerning the above is collated from the OPCC/Group's personnel systems and costed out at the prevailing rates of pay for the forthcoming year (in effect the rate of pay applicable on 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:

#### **a) Police officers**

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

#### **b) Police staff**

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

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

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

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

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

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

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

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

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

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

### **Discretionary benefits**

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

## **A9 Events after the reporting period**

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

Two types of events can be identified:

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

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

## **A10 Financial instruments**

### **Financial liabilities**

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

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

### Financial Assets

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

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

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

### Financial Assets Measured at Amortised Cost

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

### A11 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.

### A12 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.

### **A13 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.

### **A14 Investment property**

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

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

### **A15 Jointly controlled operations**

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

Adjustments have been made to the balance sheet to reflect the share of each jointly controlled operation's gross assets and liabilities controlled by the OPCC/Group as at 31<sup>st</sup> March 2020. Adjustments have also been made to the Comprehensive Income & Expenditure Statement to reflect the OPCC/Group's share of each jointly controlled operation's transactions during the year. These adjustments have no effect on the overall amount to be met from government grants and council tax. Further details are shown in Note 7

### **A16 Leases**

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

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

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

#### **The OPCC/Group as Lessee**

##### *Finance Leases*

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

##### *Operating Leases*

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

### The OPCC/Group as Lessor

#### *Operating Leases*

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

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

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

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

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

### **A17 Overheads and Support Services**

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

### **A18 Property, plant and equipment**

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

#### **Recognition**

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

#### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

### **Revaluation**

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

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

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

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

### **Components**

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

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

### **Impairment**

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

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

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

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

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

### **Disposals**

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

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

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

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

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

Depreciation is not charged on assets held for sale.

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

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

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

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

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

### **A19 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.

### **A20 Provisions & Contingent Liabilities**

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

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

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

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

#### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the OPCC/Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are disclosed in a note to the accounts (Note 37 - Group Accounts).

### **A21 Reserves**

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

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

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

### **A22 Revenue expenditure funded from capital under statute (REFCUS)**

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

### **A23 VAT**

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

### **A23 Fair Value Measurement**

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

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

## Introduction

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

The fund receives income each year from:

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

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

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

2018/19 £000		2019/20 £000
	<b>Contributions receivable: OPCC/Group</b>	
(13,560)	■ employer's contributions	(20,425)
(838)	■ early retirements	(581)
(8,624)	■ officers' contributions	(8,827)
(23,022)		(29,834)
(348)	<b>Transfers in from other pension schemes</b>	(711)
	<b>Benefits payable:</b>	
44,572	■ pensions	47,268
10,710	■ commutations and lump sum retirement benefits	8,208
1,109	■ ill-health commutations and lump sum retirement benefits	931
17	■ lump sum death benefits	171
56,408		56,578
	<b>Payments to and on account of leavers:</b>	
23	■ refund of contributions	38
48	■ transfers out to other police Forces	81
71		118
<b>33,109</b>	<b>Net amount payable for the year</b>	<b>26,151</b>
<b>(33,109)</b>	<b>Additional funding Receivable from the Police Fund</b>	<b>(26,151)</b>

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

31st March 2019 £000		31st March 2020 £000
8,186	<b>Current assets</b> Contributions due from the OPCC/Group	2,627
-	<b>Current liabilities</b> Unpaid pensions benefits	-
<b>8,186</b>		<b>2,627</b>

### Notes

#### Note 1

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

#### Note 2

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

#### Note 3

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

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

#### Note 4

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2018/19 resulted in an increase in the employers' contribution rate from 21.3% to 31% from April 2019. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

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

## Introduction

In the financial year 2019-20, the implications of the Police Reform and Social Responsibility Act 2011 continued for the two corporations' sole of the Office of the Police and Crime Commissioner (OPCC) and the Office of the Chief Constable (OCC). The year was the third year of Lord Willy Bach's term in office and the paragraphs below detail the governance and assurance arrangements that have been in place throughout the year.

### 1) Scope of Responsibility

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

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

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

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

### 2) The Purpose of the Governance Framework

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

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

The Corporate Governance Framework (CGF) was developed in 2013-14, was considered by the Joint Audit Risk and Assurance Panel (JARAP) and reviewed in March 2014 to incorporate the changes required under Stage 2 Transfer arrangements. The CGF has been reviewed and updated during 2019-20 following extensive consultation. The revised version will be ratified in July 2020.

### 3) The Governance Framework

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

- The Corporate Governance Framework;
- A Risk Management Strategy;
- An Annual Governance Statement produced by the OPCC and the OCC;
- A Regional Governance Statement;
- Ensuring that there is an effective Internal Audit function.

During 2019-20, Mazars continued as Internal Auditors for the region. Regular review and planning meetings took place which helped identify, discuss and share best practice and identify potential common audit themes. Additionally, for 2019-20, Mazars attended the Strategic Organisation Risk Board (SORB) as the force and the OPCC strengthened and embedded further the risk management processes in operation.

Mazars also attended Regional CFO and Finance Director meetings to update on the progress of 2019-20 Regional Collaboration audits and the Regional Collaboration Internal Audit Plan and the proposed workplan and timescales for 2020-21.

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

*“From our experience of attending or, in some cases, reviewing such arrangements across both the police sector and beyond, arrangements in place within Leicestershire Police / OPCC are generally sound.”*

A further self-assessment effectiveness review was undertaken by the OPCC and JARAP members during 2019/20 using CIPFA guidance. The findings were reported to the JARAP at its meeting on 23 October 2019. Overall, the review concluded that the JARAP is operated in an effective manner. Moreover, External audit (Ernst & Young LLP) commented “the JARAP has improved its effectiveness.....over the past couple of years.”

The 2020-21 Internal Audit Plan will be considered and approved at the JARAP meeting to be held on 29 July 2020. It was prepared following discussion and consideration of regional and three force audit themes, the risk register and other factors.

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

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

- A Police and Crime Plan for 2017-21 which sets out the priorities for the Chief Constable to deliver against. A link to the document is contained here:

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

- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan. Supported by the PCC attending the Performance Delivery Group (PDG), the Crime and Operations Effectiveness meeting as well as reviewing Performance Reports at the Strategic Assurance Board;
- Comprehensive budgeting systems that seek to align resources with priorities;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action or highlight reinvestment opportunities;
- Effective risk management strategies, registers, action plans and tactics;
- A Commissioning Framework to 31 March 2020 which detailed the approach to engagement with partners and to commissioning appropriate outcomes through third party providers;
- A Commissioning Framework developed for 2018-21 to support the delivery and priorities of the Police and Crime Plan.
- Engagement in value for money benchmarking such as is conducted by Her Majesty’s Inspectorate of Constabulary (HMICFRS);
- A well-researched and coherent Corporate Governance Framework that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriate statutory officers within both the OPCC and OCC, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- Codes of Conduct and standards of behaviour clearly set out in governance documents with the former being signed by the PCC;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC;
- Internal Audit team where the plan and therefore resources are directed towards risk and emerging issues; and where the plan is shaped by both the OPCC and the OCC;

- External reviews and inspections carried out by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) which inform the PCC and the CC and highlight risks and learning points in addition to good practice.
- An Ethics, Integrity and Complaints Committee to align the work of the JARAP and the Committee for optimum benefit moving forwards;
- Regular reviews and updates on Regional Collaboration are discussed at the East Midlands PCC and CC Board who meet bi-monthly.

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

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

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

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

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

##### **Principle B: Ensuring openness and comprehensive stakeholder engagement**

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

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

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

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

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

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

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

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

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

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

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

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

### **Principle E: Developing Capacity and Capability**

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

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

### **Principle F: Managing Risks and Performance**

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

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

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

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

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

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

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

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

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

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

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

## **5) Review of Effectiveness**

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

The Office of the Police and Crime Commissioner (OPCC) was subject to the continued implementation of the new staffing structure that was agreed in 2017-18. There were a number of vacancies within the structure during 2019-20. A further structural review will be undertaken during 2020/21.

The OPCC and OCC continued to invest in an Internal Audit programme in 2019-20 which continued to give assurance under the arrangements for the two corporation soles. These ensured specific local audits on:

- Pension Provider
- Workforce Planning & Absence Management
- Recruitment
- Complaints Management
- Custody Arrangements
- Partnerships
- Core Financials
- Payroll
- Payroll Provider
- Learning & Management Development
- Performance Management
- Health & Safety

During 2019-20, the following collaborative audits or specific assignments were carried out:

- Performance Management
- Health & Safety

In addition to a review of key controls working well and highlighting findings and recommendations, the Internal Audit reports also include an overview on sector comparisons, risk management and value for money observations.

The Mazars Internal Audit annual report covered the period 1 April 2019 to 31 March 2020 and will be reported to and considered by the JARAP in July 2020. The key messages in that report are included here within this Annual Governance Statement.

The Internal Audit opinions included within their annual report for both the Police and Crime Commissioner and the Chief Constable for 2019-20 were as follows:

*"Based on the Internal Audit work undertaken for Leicestershire to date, in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31<sup>st</sup> March 2020, we can provide the following opinions:"*



The basis of Mazars' opinion was as follows:

*"Internal Audit applies a risk-based approach and our audits assess the governance framework, the risk management process, as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we can provide assurance that management have in place a robust control environment and, whilst further remedial actions are needed in some areas, we are assured that management have in place effective processes for the implementation of identified areas of weakness."*

## Corporate Governance

“Whilst a specific audit of Corporate Governance was not carried during 2019/20, as part of the 2018/19 Internal Audit plan we undertook an audit of the controls and processes in place in respect of corporate governance. The specific areas that formed part of this review included: governance framework, policies and procedures, roles and responsibilities and decision making. We concluded that there is a basically sound system of internal control, although there are weaknesses which put some of the Organisation’s objectives at risk.

Through the delivery of the internal audit plan and attendance at JARAP and Strategic Operational Risk Board (SORB) meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police has been effective for the year ended 31st March 2020.”

## Risk Management

“Whilst a specific audit of risk management was not carried during 2019/20, as part of the 2017/18 Internal Audit plan we undertook an audit of the controls and processes in place in respect of risk management. The specific areas that formed part of this review included: policies and procedures; risk registers; risk mitigation; programme assurance; reporting arrangements and follow up of previous recommendations. We provided a satisfactory assurance opinion and concluded that there is a basically sound system of internal control, although we highlighted some areas where improvements to the control environment could be made. Overall risk management within the Force and OPCC is deemed effective and controls and processes tested were being consistently applied. This area is due to be audited as part of the 2020/21 internal audit plan.”

Additionally, during the course of delivering the 2019/20 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the ‘Internal Control’ section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

## Internal Control

“As illustrated in the tables below, we have noted that Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police have a generally sound control environment, although we have noted areas where improvements are required. During the 2019/20 year, all 15\* internal audits were rated either ‘significant’ or ‘satisfactory’ with regards our assurance opinion. In addition, the three collaborative audits covering the East Midlands are still to be finalised.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2019/20, split between those specific to Leicestershire and those undertaken as part of East Midlands regional collaborative audits. The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2018/19, split between those specific to Leicestershire and those undertaken as part of East Midlands regional collaborative audits.”

### Leicestershire Only

Assurance Gradings	2019/20	
Significant	6	40%
Satisfactory	11	60%
Limited	0	0%
Nil	0	0%
<b>Total</b>	<b>16*</b>	

\* One report still to be issued.

## Collaboration Audits

Assurance Gradings	2019/20	
Significant	0	0%
Satisfactory	2**	100%
Limited	0	0%
Nil	0	0%
<b>Total</b>	<b>2**</b>	

\* One report still to be issued. \*\*Draft gradings still to be confirmed.

## *Issues relevant to Annual Governance Statement*

*“The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force’s overall assurance framework and assists in preparing an informed statement on internal control. Internal Audit, through its annual programme of activity, has a duty to bring to your attention any areas of weakness we believe should be considered when producing the Annual Governance Statement.”*

## *Restriction placed on the work of Internal Audit*

*As set out in the Audit Charter, we can confirm that Internal Audit had unrestricted right of access to all OPCC and Force records and information, both manual and computerised, cash, stores and other property or assets it considered necessary to fulfil its responsibilities.”*

External audit (Ernst & Young LLP) issued their ‘Annual Audit Letter for the year ended 31 March 2019’ in October 2019 and this was considered by the JARAP at their meeting held on 23 October 2019. The letter summarised the results of their 2018-19 audit and built on the ‘Audit Results Report’ considered by the JARAP at their meeting on the 24 July 2019. It reported that:

- *‘Unqualified - the financial statements give a true and fair view of the financial position of the PCC, CC, Group and Pension Fund as at 31 March 2019 and of its expenditure for the year then ended;*
- *other information published with the financial statements was consistent with the Annual Accounts;*
- *we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in you financial statements and which is unknown to you;*
- *from our work we determined that the PCC and CC had adequate arrangements to respond to the risks of securing its medium to longer term financial resilience;*
- *the PCC and CC complied with the 2015 Accounts and Audit regulations in their notice of audit;*
- *we concluded that you have put in place proper arrangements to secure value for money in your use of resources;*
- *the Governance statement was consistent with our understanding of the PCC and CC;*
- *we had no matters to report in the public interest;*
- *Written recommendations to the PCC and CC which should be copied to the Secretary of State – we did not identify any issues;*
- *Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014 – we had no matters to report;*
- *Reporting to the National Audit Office (NAO) on our review of the PCC and CC’s Whole of Government Accounts Return (WGA) – we had no matters to report;*

*As a result of the above we have also:*

- *issued a report to those charged with governance of the PCC and CC communicating significant findings resulting from our audit - our Audit Results Report was discussed verbally on 24 July 2019 and revised for the outcome of the audit on the 16<sup>th</sup> September 2019;*

- *issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice - our certificate was issued on 16 September 2019.'*

The JARAP met four times in public during the year. The JARAP undertook a detailed work plan which included considering the work of internal and external audit, tracking of Internal Audit recommendations, risks and risk management, and specific themes. In addition, the JARAP approved an annual workplan, for 2020, reviewed their terms of reference and produced an annual report of their work.

JARAP members undertake portfolio and detailed reviews into key areas and also regularly attend pertinent meetings including regular attendance at the Strategic Organisational Risk Board (SORB), the Force Change Board and the Strategic Health and Safety Committee.

During the year, the JARAP received or prepared a number of updates, presentations and reports on specific areas of risk or concern.

### 6) Significant Governance Issues and Actions

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

In 2019-20 our internal auditors, Mazars, carried out 17 audits (one still outstanding) and as detailed on the table earlier none of them were given limited assurance. This was also the case during 2018-19 which indicates a sound internal control environment. As a result it is concluded that there are no significant issues or actions that need to be highlighted as part of this Annual Governance Statement.

#### *Police and Crime Plan and Resources*

It was also highlighted in the previous year that the medium term financial outlook showed an anticipated deficit emerging over the life of the forecast. However, the Police Precept and Budget was agreed by the Police and Crime Panel on 5 February 2020 which demonstrated that by increasing the precept by the maximum allowed, and through the prudent use of reserves, the medium term financial outlook now showed a balanced position over the life of the forecast which was until 31 March 2024.

However, this position will be reviewed and updated on a regular basis and is likely to change over time given uncertainty about the impact of the Covid 19 pandemic, Brexit and the impending Comprehensive Spending Review.

#### *HMICFRS Inspections and Force Performance*

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

- Outstanding
- Good
- Requires improvement
- Inadequate

The inspection delivered the following results for Leicestershire Police:

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

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

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

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

There have no further HMICFRS inspections in this area since.

### *High priority strategic risks*

At the end of March 2019 the Strategic Risk Register highlighted 11 strategic risks that were judged to be high priority. They were:

- Churn of staff and establishment pressure
- Inability to meet regional OHU demand
- Management of geographical information
- CSI capacity and lack of accreditation
- Ineffective tracking of force assets
- Capacity in IT to support digital transformation
- Implementation of JES Scheme
- Evolving digital sophistication
- Maintaining workforce wellbeing
- Back-up generators with unsuitable diesel
- Complying with Home Office counting rules

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

### *Conclusion*

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

Lord Willy Bach  
Police and Crime Commissioner

xx July 2020

Paul Hindson  
Chief Executive, OPCC

xx July 2020

Paul Dawkins  
Chief Finance Officer, OPCC

xx July 2020



## **ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION 2019/20**

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

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

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

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

Compliance is monitored by management review and supported by specialist professional advice where appropriate. Where areas for improvement are identified these are subject to action plans that are revisited to ensure that they have been attended to. Thematic inspections form part of the monitoring controls to ensure compliance with appropriate policies and regulations and demonstrate the effective and efficient use of resources.

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

A management structure is in place, with clear lines of accountability for both operational issues and use of resources. A budget is approved each year at the EMPCC/CC's Board which defines the expenditure targets for each area of policing within EMSOU. Each force actively supports the budget allocation and sets its own precept accordingly.

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

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

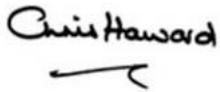
The EMPCC/CC's Board provides a forum for all members of collaboration to feedback their experiences of the partnership work. All forces can discuss governance, performance and financial issues at the quarterly meetings. The collaboration builds on best practice from across the country and the region to improve performance as well as saving money.

### **5. COVID-19 pandemic**

Early on we established representation in Leicestershire and Derbyshire Gold Groups. Internally we also have EMSOU Silver & Gold Groups – dealing with operational, resilience, sickness and abstraction issues. There is regular reporting through the ROCU network which has given assurance we are aligned across the country.

Minimal face to face meetings have taken place since lockdown, instead utilising video conferencing facilities. This has allowed governance processes to continue without disruption. Financial impact is being monitored and reported through Forces.

Looking forward we have an EMSOU Recovery Group and also an organisational learning team which will assist in establishing what our new normal may look like. This piece of work is well underway at time of reporting.



Chris Haward  
**Deputy Chief Constable (East Midlands)**

**10<sup>th</sup> July 2020**

**INDEPENDENT AUDITOR'S 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).

### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

### **Leasing**

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

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

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

### **Liquid resources**

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

### **Minimum revenue provision**

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

### **Net book value**

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

### **Non-current assets**

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

### **Non distributed costs**

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

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

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

### **Precept**

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

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

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

### **Receipts and payments**

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

### **Unusable reserves**

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

### **Usable reserves**

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

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

**DRAFT**

**Annual Financial Report**

**2019/20**

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# Narrative Report by the Chief Finance Officer

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These accounts set out the overall financial position of the Chief Constable (CC), who is responsible for the Leicestershire Police Service, for the year ended the 31<sup>st</sup> March 2020.

The accounts for 2019/20 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority. This Code of Practice is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

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

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

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

For accounting purposes the OPCC and the Office of the Chief Constable together are known as the OPCC group. A separate set of statutory accounts has been published for the OPCC and the OPCC Group to recognise all the financial transactions incurred during 2019/20 on policing activities.

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

The financial report comprises two elements:

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

## **The Statement of Accounts**

The purpose of the Statement of Accounts is to provide clear information to readers on how the OCC has utilised available financial resources based on International Financial Reporting Standards (IFRS). This document provides details of the comprehensive income and expenditure for the financial year 2019/20.

All of the assets, liabilities and reserves were transferred to the OPCC during the first phase of transition and have remained under the OPCC's control during 2019/20. The OPCC receives all income and funding and makes all payments for the Group from the OPCC Police Fund.

The second phase of transition took place on the 1<sup>st</sup> April 2014 when the employment of the majority of police staff transferred to the CC.

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

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

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

## **The core financial statements:**

The presentation of the 2019/20 Financial Statements reflects the new reporting formats introduced by the 'Code' in 2016/17. An 'Expenditure and Funding Analysis' is now included in the notes.

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

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

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

### Movement in Reserves Statement

This summarises the movements to and from the reserves for the year 2019/20. This shows the unusable reserves held by the Chief Constable.

### Comprehensive Income and Expenditure Statement

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

### Balance Sheet

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

### Cash Flow statement

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

## **Notes to the core financial statements**

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

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

## **The supplementary financial statements:**

### Pension fund account

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

## **Non-audited supplementary documents**

### Narrative Report

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

### Statement of responsibilities

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

### Annual governance statement

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

## **Overview of 2019/20**

The 2018 grant settlement announced that Leicestershire's core funding for 2019/20 would increase by £2.2m to £114.7m. In addition, a specific grant of £1.9m was allocated to part fund the increase in employer's pension costs.

The council tax referendum limit was also relaxed and PCCs were given the flexibility to raise local council tax by £24.00. The precept was increased by £24.00 (12.05%) to £223.23 for Band D property.

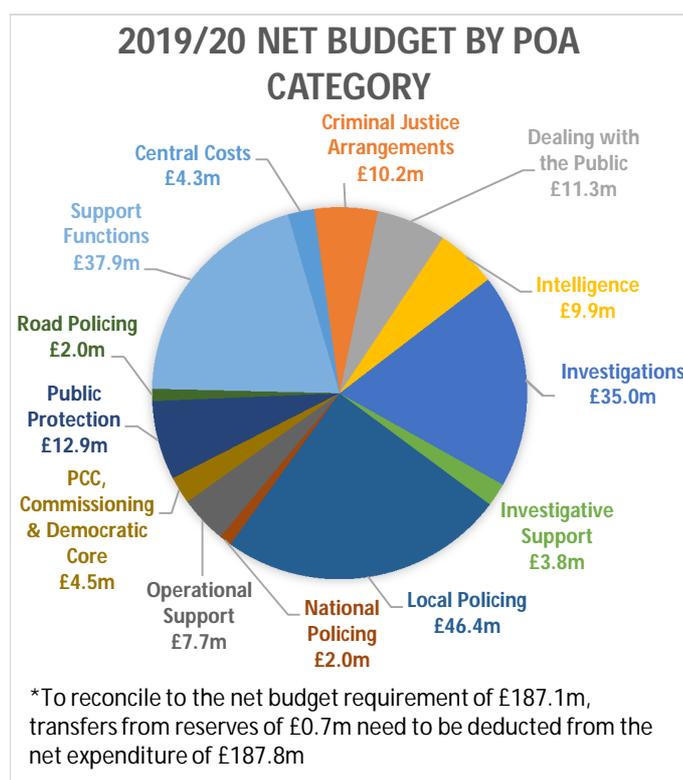
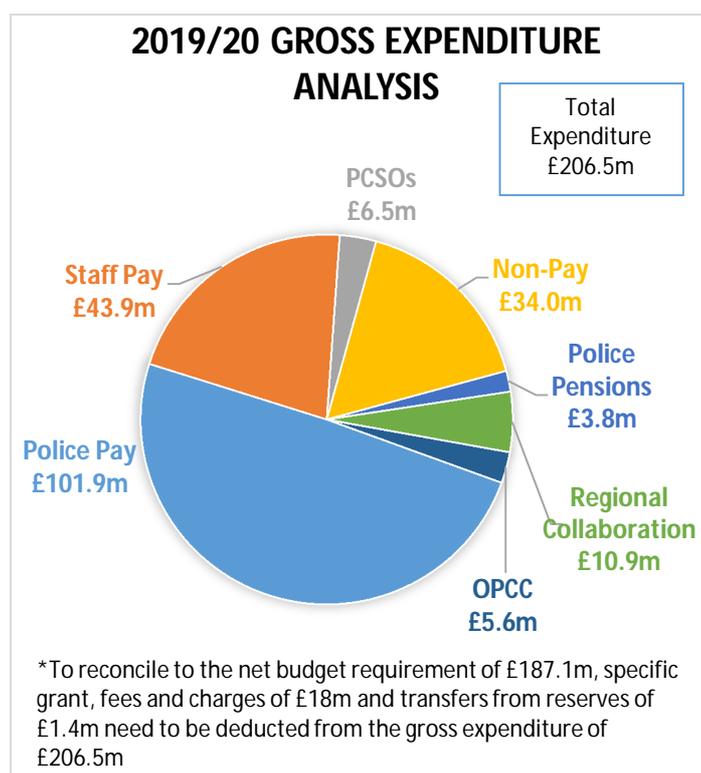
However, as in previous years the formula devised to allocate grant according to need was not fully implemented, with the result being that the service has lost grant to which it is otherwise entitled under full application of the formula. It is now unlikely that any further review of the funding formula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

The following areas for investment in 2019/20 were identified by the Chief Constable to meet threat, risk and harm and were supported by the PCC in allocating the budget to the Force:

- 107 new Police Officers of which 80 were recruited in year, mainly for deployment in the eight Neighbourhood Policing Areas (NPAs).
- Proposals to reduce abstractions of frontline police officers and increase the amount of time they spend on the beat
- Investment in technology to tackle crime
- Ongoing investment to support Volunteers in Policing
- Measures to speed up recruitment to the new posts
- Improving the quality of crime recording

The OPCC sets the annual budget for the OCC in consultation with the CC. A net annual revenue budget for 2019/20 of £187.1m was set for the service as a whole, an increase of 6.2% over 2018/19. £172.5m was managed by the CC with the remaining £4.1m (net of grants and transfers from reserves) relating to the costs of the OPCC (£1.2m) and commissioning activities (£2.9m).

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



### Performance against budget

The Office of the Chief Constable for Leicestershire underspent its 2019/20 budget by £2.4m. This was attributable to:

- An underspend on police pay and allowances of £1.247m due to changes in the forecast attrition, a reduction in the effective national insurance and pension rates compared to the budget and additional seconded officers income.
- An underspend on corporate budgets of £1.26m attributable to savings on PCSOs due to the number of staff in post being below the budgeted establishment throughout the year as police officer recruitment has increased, capital pension costs being lower than budgeted due to fewer ill health retirements than expected, delays in the implementation of investment proposals and projects offset by additional expenditure on Force priorities and pressures including £0.158m on COVID 19 related expenditure.
- An underspend of £0.102m on policing functions provided regionally.
- A net overspend of £0.248m in the delegated budgets as a result of increased police overtime costs incurred due to demand and unbudgeted expenditure in the Business Support departments on police staff salary costs, estates planned maintenance and supplies and services.

During the year the Chief Constable received 2 specific grants from the Home Office to fund the acceleration of the uplift in police officers numbers (£0.4m) and tackle serious violence crime (£1.4m).

As the resources are consumed by the OPCC at the request of the OCC the revenue underspend occurs in the OPCC/Group accounts and the residual underspend has been transferred to the Budget Equalisation Reserve.

### Operational Performance

The PCC's primary role is to hold the CC to account. The Force operates a comprehensive performance framework to ensure that it is meeting its objectives and supporting the PCC in the delivery of the Police and Crime Plan. However, this is set against cuts in central government funding, considerable policing risks and increasing levels of demand being managed by a much smaller organisation.

Whilst the Crime Survey for England and Wales to the year ending December 2018 shows no significant change in the rate of crime there has been a rise of 10% in the actual crime reported to the Force.

The increase in recorded crime reflects national trends and seems to be down to a combination of factors. There have been more burglaries and vehicle crimes, with some of the latter needing manufacturers to design out

# Narrative Report by the Chief Finance Officer

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opportunities for criminals. The increase in recorded violence reflects a number of things; it is encouraging that more people are feeling confident to report domestic abuse offences to the Force. The scale of domestic abuse remains a concern. During 2018 the Force had over 20,000 such incidents reported to it representing 56 per day. The Force's work with partners is crucial to support victims and their families, and to target offenders. The long term impact is significant, and it damages in a very real way local communities, and the young people that see such incidents on a daily basis.

Recorded crimes of violence have also increased after changes to Home Office counting rules, which means that harassment and malicious communications are now included, and the Force has tightened up its processes around crime recording. Last summer the Force was a number of forces that received a critical audit by HMICFRS about our crime recording. The increase in recorded crime that we are now seeing in part reflects the Force's response to that audit.

The population Leicester, Leicestershire and Rutland continues to grow rapidly when compared to other places. This is reflected in calls for our service. Last year we received over 150,000 'grade one' emergency 999 calls. This is an increase of 8.4% on 2017/2018 figures.

In the last year we have moved to a single on line home (SOLH) reporting facility. This enables and streamlines the process of reporting crimes or incidents online. This has led to an estimated 4% of calls shifting from the traditional phone contact to digital reporting.

This has led to a decrease in the volume of non-emergency 101 calls. However we still dealt with over 380,000 of these calls. The Force frequently finds itself directing callers to the correct agencies.

As we look forward it is clear that safeguarding, online offending, and child sexual exploitation are areas that will continue to grow. The multi-agency safeguarding team, now located all together, are able to combine the support of social services, with our investigative role. In a typical day the Force refers over 65 children and adults to partner agencies because of safeguarding concerns.

Our national award winning Digital Hub means that we are turning around computer examinations in on average 35 days, rather than the 540 days of a few years ago.

Our Integrated Offender Managers now manages 420 of the most prolific offenders, seeing a reduction of their collective offending by 24%.

Our online investigators coordinated 163 enforcements against paedophiles, leading to 86 offenders being brought to justice.

The Force also support partners in helping those at risk of being radicalised through our safeguarding and prevent referrals.

The Force has looked hard at how we deal with reports of missing people. On a typical day we deal with 11 missing from home reports. We work with the places that make the most reports, and try to engage with partners around some of the people who go missing regularly to ensure that any problems are identified and resolved.

Visibility now includes both in actual places, and in the cyber world. The Force's network of neighbourhood teams means that every area in Leicester, Leicestershire and Rutland has a dedicated team solving problems at the heart of their communities. They are augmented by our Neighbourhood Investigation and 24/7 patrol officers who are out responding to calls from the public, keeping the roads safe, and providing reassurance.

## HMIC PEEL Inspection

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

The overall judgements were:

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

The judgments from the reports were:

## **Effectiveness**

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

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

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

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

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

## **Efficiency**

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

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

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

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

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

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

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

## **Legitimacy**

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

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

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

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

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

## **Reserves**

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

## Capital spending

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

£8.0m was spent on improving the estate, investing in information technology and the vehicle fleet. This was funded by a combination of internal borrowing, grant, asset sales, third party income and revenue contributions. This capital spending resulted in non-current asset additions of £7.9m with £0.2m being charged to the Comprehensive Income and Expenditure Statement as 'Revenue Expenditure Financed from Capital resources Under Statute' (REFCUS – see Note 14). No external long term borrowing was taken out during 2019/20. Outstanding external debt at the year-end was £12.4m (excluding accruals for interest payable).

The 'Estates' projects undertaken include the completion of the evidential property store, refurbishment of Keyham Lane and Force Gym facilities and remodelling of FHQ accommodation to accommodate the new Forensic Investigator lab requirements.

The IT programme includes:

- Investment in the data network and storage to ensure network performance and support new services such as enhanced CCTV for custody and site security.
- The implementation of the National Enabling Programme (NEP) Office 365 cloud service, 2019/20 is the second year of developments.
- Significant investment in the smartphone fleet to facilitate the on-going use of agile services.
- Provision for the on-going development of Pronto.
- Openscape 4000 project (CMD Telephony) to develop new methods of contact eg web chat, social media and video contact.
- Equipping Force Meeting rooms with audio visual and video conferencing facilities.
- Purchase of airwave terminals to future proof the service until the new 'emergency services network' is available.

Capital expenditure has also been incurred on the rolling programme of ANPR camera replacements (including vehicle fits), Force wide security works, Custody CCTV replacement and planned replacements of the existing vehicle fleet.

No properties were disposed of during 2019/20.

## Retirement Benefits

Accounting for Retirement Benefits in the 2019/20 Statement of Accounts has resulted in a pension liability of £2,295m compared to £2,283m in 2018/19. The increase in the liability is due to the actuarial losses arising from changes in the financial assumptions, lower than expected investment returns offset by changes to demographic assumptions and experience gains following the full revaluation of the Local Government Scheme.

The pension liability includes provision for the potential impact of:

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

The remedy to be applied to the public sector pension schemes is still to be determined. The accounting figures for 2020 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year. More detail regarding the McCloud and GMP issues is provided in note 27.

The police officer pension scheme liability is £2,208m with the balance relating to the Local Government Pension Scheme (LGPS).

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

## Outlook for 2020/21

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

Lord Bach also acknowledged the assumption contained within the settlement that the precept could increase locally by £10.00 in 2020/21, to ensure that police spending is protected and make further significant investments in policing services.

The increase in grant and precept allow for the following significant investments identified by the Chief Constable to meet threat, risk and harm including:

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

Against this background, the PCC set 2020/21 net revenue and capital budgets of £199.9m (including contributions to reserves) and £10.2m respectively. A precept of £233.23 for a Band D property was set for the year, an increase of £10.00 (4.48%) over 2019/20.

Whilst the funding made available to the Police and Crime Commissioner increased during 2019/20 and 2020/21 there remains a high degree of uncertainty about future levels of funding for local government. This uncertainty has increased due to the global Covid-19 pandemic. Many organisations have had to adapt how they work to maintain essential services and safeguard their employees wherever possible. The CC has adapted along with its partners to continue to keep communities safe in these challenging times. The additional costs incurred due to Covid-19 are being monitored. The Home Office and Treasury are currently reviewing the options around reimbursement of forces of Covid-19 costs however, these have not yet been finalised.

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

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

## Organisational Risks

When the budget for 2020/21 was set a number of risks were highlighted in relation to the following that could impact upon the budget plans:

- Police Staff job evaluation
- Pay inflation
- The Emergency Services network
- The National Police Air Service (NPAS)
- 

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

## Narrative Report by the Chief Finance Officer

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<https://www.leics.pcc.police.uk/Planning-and-Money/Finance/Budget-Information/Budget-2020-2021.aspx>

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

- Evolving the digital futures strategy
- The maintenance of workforce well-being
- Meeting increased demand
- The job evaluation scheme

A further risk that should be highlighted relates to the Independent Inquiry into Child Sex Abuse (IICSA). This is a public enquiry that could have significant cost implications. A further note on this particular issue is included under the Note 18 – Contingent Liabilities.

**Paul Dawkins**  
**Chief Finance Officer**  
**XX July 2019**

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

The CC is required to:

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

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

The Statement of Accounts for the year to 31<sup>st</sup> March 2020 has been prepared and was considered at the Joint Audit, Risk Assurance Panel (JARAP) on XX July 2020 who delegated authority to their chairman for final sign off as set out in the report to the panel.

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

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

In preparing this Statement of Accounts the CFO has:

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

The CFO has also:

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

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Office of the Chief Constable for Leicestershire at the reporting date and of its income and expenditure for the year ended 31<sup>st</sup> March 2019.

**Paul Dawkins**  
**Chief Finance Officer**  
XX July 2020

## Comprehensive Income & Expenditure Statement

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

2018/19				2019/20			
Gross expenditure £000	Gross income £000	Net expenditure £000		Note	Gross expenditure £000	Gross income £000	Net expenditure £000
214,188	(19,749)	194,439	Policing Services		236,948	(21,008)	215,940
84	-	84	Corporate & Democratic Core		95	-	95
114,348	-	114,348	Non-Distributed Costs	14	57	-	57
<b>328,620</b>	<b>(19,749)</b>	<b>308,871</b>	<b>Cost of services</b>	<b>2</b>	<b>237,100</b>	<b>(21,008)</b>	<b>216,092</b>
-	(202,701)	(202,701)	Other operating expenditure		-	(210,780)	(210,780)
53,581	-	53,581	Financing and investment income & expenditure	3	56,432	-	56,432
<b>382,201</b>	<b>(222,450)</b>	<b>159,751</b>	<b>(Surplus) or deficit on provision of services</b>		<b>293,532</b>	<b>(231,788)</b>	<b>61,744</b>
		45,500	Actuarial (gains) / losses on pension assets/liabilities	13			(48,973)
		<b>45,500</b>	<b>Other comprehensive income &amp; expenditure</b>				<b>(48,973)</b>
		<b>205,251</b>	<b>Total comprehensive income &amp; expenditure</b>				<b>12,771</b>

## Balance Sheet

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

31st March 2019 £000		Note	31st March 2020 £000
	<b>Non-current assets</b>		
29	Long term debtors	9	19
<b>29</b>	<b>Total long term assets</b>		<b>19</b>
	<b>Current assets</b>		
101	Short term debtors	9	100
3,145	Inter – Group Debtor		3,524
<b>3,246</b>			<b>3,624</b>
	<b>Current liabilities</b>		
(6,893)	Short term creditors	10	(7,845)
-	Inter – Group Creditor		-
<b>(6,893)</b>			<b>(7,845)</b>
<b>(3,647)</b>	<b>Net current assets</b>		<b>(4,221)</b>
	<b>Long term liabilities</b>		
(2,282,561)	Liability related to defined benefit pension schemes	14	(2,294,748)
<b>(2,282,561)</b>			<b>(2,294,748)</b>
<b>(2,286,179)</b>	<b>Net assets / (liabilities)</b>		<b>(2,298,950)</b>
2,286,179	Unusable reserves	12	2,298,950
<b>2,286,179</b>	<b>Total reserves</b>		<b>2,298,950</b>

### Re-certification

The draft financial statements on pages 1 to 58 were authorised for issue on the xx July 2020

## Statement of Movement in Reserves

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

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

2018/19	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000
<b>Balance at 31 March 2018</b>	-	-	2,080,928	2,080,928
<b>Movement in reserves during 2018/19</b>				
Surplus or deficit on the provision of services	159,751	159,751	-	159,751
Other Comprehensive Income and Expenditure		-	45,500	45,500
<b>Total Comprehensive Income and Expenditure</b>	<b>159,751</b>	<b>159,751</b>	<b>45,500</b>	<b>205,251</b>
Adjustments between accounting basis and funding basis under regulations	(159,751)	(159,751)	159,751	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>-</b>	<b>-</b>	<b>205,251</b>	<b>205,251</b>
Transfers to/from Earmarked Reserves	-	-	-	-
<b>Increase or Decrease in 2018/19</b>	<b>-</b>	<b>-</b>	<b>205,251</b>	<b>205,251</b>
<b>Balance at 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>2,286,179</b>	<b>2,286,179</b>

## Cash Flow Statement

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

2018/19 £000		Note	2019/20 £000
159,751	<b>Net (surplus) or deficit on the provision of services</b>		61,744
(159,751)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	16.1	(61,744)
-	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		-
-	<b>Net cash flows from operating activities</b>		-
-	Investing activities		-
-	Financing activities		-
-	<b>Net (increase) or decrease in cash and cash equivalents</b>		-
-	Cash and cash equivalents at the beginning of the reporting period		-

### 1. Adjustments between accounting basis and funding basis under regulations

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

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

2018/19	General Fund Balance	Movement in Unusable Reserves
	£000	£000
<b>Adjustments to the Revenue Resources</b>		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(160,334)	160,334
Holiday pay (transferred to the Accumulated Absences reserve)	583	(583)
<b>Total Adjustments</b>	<b>(159,751)</b>	<b>159,751</b>

### 2. Expenditure and Funding Analysis

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

2018/19			CC	2019/20		
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	Notes	£000	2.1 £000	£000
173,657	20,782	194,439	Policing Services	179,775	36,165	215,940
84	-	84	Corporate & Democratic Core	95	-	95
-	-	-	Commissioning	-	-	-
-	114,348	114,348	Non-Distributed Costs	-	57	57
<b>173,741</b>	<b>135,130</b>	<b>308,871</b>	<b>Net Cost of Services</b>	<b>179,870</b>	<b>36,222</b>	<b>216,092</b>
(173,741)	24,621	(149,120)	Other Income and Expenditure	(179,870)	25,522	(154,348)
-	<b>159,751</b>	<b>159,751</b>	<b>Surplus or Deficit on Provision of Services</b>	-	<b>61,744</b>	<b>61,744</b>
			Opening Combined General Fund Balance			
-			Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	-		
-			<b>Closing Combined General Fund Balance</b>	-		

#### 2.1 Note to Expenditure and Funding Analysis

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

## Notes to the core financial statements

	2018/19				
	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Statutory Adjustments £000	Other Differences £000	Total Adjustments £000
Policing Services	(436)	23,668	(2,450)	-	20,782
Corporate & Democratic Core	-	-	-	-	-
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	114,348	-	-	114,348
<b>Net Cost of Services</b>	<b>(436)</b>	<b>138,016</b>	<b>(2,450)</b>	<b>-</b>	<b>135,130</b>
Other Income and Expenditure	436	22,318	1,867	-	24,621
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>-</b>	<b>160,334</b>	<b>(583)</b>	<b>-</b>	<b>159,751</b>

### 2.2 Expenditure and Income Analysed by Nature

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

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

2018/19 Outturn £000		Note	2019/20 Outturn £000
97,457	Police officer pay and allowances		106,068
52,709	Police staff pay and allowances		54,951
3,284	Police pensions		3,237
23,668	IAS 19 Current Cost Adjustment (pensions)	14	30,822
1,243	Other employees expenses		1,509
5,013	Premises		5,863
3,657	Transport		3,394
17,347	Supplies and services		18,312
4,940	Agency and contracted services		5,537
<b>209,318</b>	<b>Total Expenses</b>		<b>229,693</b>

## Notes to the core financial statements

2018/19 £000	Grant Income	2019/20 £000
	<b>Credited to services:</b>	
(2,484)	Dedicated security grant	(2,825)
(104)	Tri Force Collaboration	-
(457)	Special operations	(462)
-	Serious Violent Crime Initiatives	(1,400)
(329)	Proceeds of Crime Act/Incentivisation	(819)
-	Police Pensions Grant	(1,903)
-	Prime Minister Additional Police Officers Funding	(428)
(938)	JCOs ( <i>EMSOU, FSS &amp; EMOPSS</i> )	(827)
(569)	Others	(530)
<b>(4,881)</b>	<b>Total</b>	<b>(9,194)</b>

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

### 3. Financing and investment income & expenditure

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

2018/19 Outturn £000		Note	2019/20 Outturn £000
53,581	Pensions net interest cost	14	56,432
<b>53,532</b>			<b>56,432</b>

**4. Officers' remuneration**

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

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

**Note 1** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependant upon when the officer joined the Force).

**Note 2** - Expense allowances include car allowances for employees who provide their own vehicles and private health care.

**Note 3** – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

**Note 4** – Senior Officer P (ACC rank) commenced on the 20<sup>th</sup> December on an annualised salary of £103,021

**Note 6** – From August 2019 the arrangement with Northamptonshire to share an Assistant Chief (Human Resources) ceased. The remuneration associated with the post for the period April to July is reflected in the Northamptonshire accounts with Leicestershire contributing towards the costs. A new role has now been established in Leicestershire on an annualised salary of £87,138. This was covered on a temporary basis by the Head of HR until the 1<sup>st</sup> December. The new post holder took up their position on the 13<sup>th</sup> January 2020.

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

## Notes to the core financial statements

2018/19	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£	£	£	£
				Note 1	Note 2		
<b>The Office of the CC</b>							
Chief Constable		147,923		4,540	8,903	13,330	174,696
Deputy Chief Constable		122,031		3,376	5,027	25,993	156,427
Assistant Chief Constables:							
Senior Police Officer J (until 28/02/19)	4	111,792	5,630	3,138	-	13,382	133,942
Senior Police Officer L		102,557		3,376	5,027	18,449	129,409
Senior Police Officer N		104,860		3,376	5,027	18,449	131,712
Senior Police Officer O ( <i>Commenced 06/01/19</i> )	5	23,776			1,189	4,400	29,365
Assistant Chief Officers:							
Finance & Resources	6	98,936		-	5,435	20,579	124,950
Human Resources	6						
		<b>711,875</b>	<b>5,630</b>	<b>17,806</b>	<b>30,608</b>	<b>114,582</b>	<b>880,501</b>

**Note 1** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependant upon when the officer joined the Force).

**Note 2** - Expense allowances include car allowances for employees who provide their own vehicles and private health care.

**Note 3** – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

**Note 4** – Senior Officer J was seconded to a national role up until their retirement on the 28<sup>th</sup> February 2019.

**Note 5** – Senior Officer O (ACC rank) commenced as the Leicestershire ACC on the 6<sup>th</sup> January 2019 on an annualised salary of £100,509.

**Note 6** – From the 1<sup>st</sup> April 2018 the Assistant Chief Officer (Finance & Resources) and Assistant Chief Officer (Human Resources) posts were shared between Leicestershire and Northamptonshire. The Assistant Chief Officer (Finance & Resources) post is employed by Leicestershire and the total salary costs associated with this post are included in the table above. The costs associated with the Assistant Chief Officer (Human Resources) post are reflected in the Northamptonshire accounts and Leicestershire contributes towards these costs.

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

## Notes to the core financial statements

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

Remuneration band £	2018/19	2019/20
	number of employees	number of employees
50,000 to 54,999	2	10
55,000 to 59,999	2	3
60,000 to 64,999	2	2
65,000 to 69,999	7	5
70,000 to 74,999	-	3
75,000 to 79,999	3	1
80,000 to 84,999	1	-
85,000 to 89,999	3	2
90,000 to 94,999	1	2
95,000 to 99,999	-	1
155,000 to 160,000	-	-

- The bandings only include the remuneration of employees and relevant police officers who have not been disclosed individually; i.e. above the rank of Superintendent.
- Four of the above posts are National / seconded positions for which the Force receives external funding.
- Leicestershire OPCC is the lead employer for the following regional teams; East Midlands Special Operations Unit, East Midlands Collaborative Human Resources Service (EMCHRS) Learning & Development and Occupational Health, and Emergency Services Network Collaboration, seven of the police staff employees and one police officer included in the table above work in the regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.
- 

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

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 £	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	2	2	2	2	4	4	33,949	26,681
£20,001 - £40,000	-	1	-	-	-	1	-	24,264
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	1	-	-	-	1	-	76,469
£80,001 - £100,000	1	-	-	-	1	-	88,778	-
£100,001 - £150,000	-	1	1	-	1	1	120,618	131,223
<b>total</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>7</b>	<b>243,345</b>	<b>258,637</b>

The CC terminated the contracts of a number of employees in 2019/20, incurring liabilities of £259k (£243k in 2018/19). One of the Police Staff employees included in the table above worked in a shared role with Northamptonshire Police and Leicestershire has therefore only met 50% of their costs.

## 5. Jointly Controlled Operations

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

### East Midlands (EM) Jointly Controlled Operations

Jointly Controlled Operation	Member Forces	Ownership %	Lead Force
EM Special Operations Unit <i>(inc Technical Support Unit)</i>	All 5 Forces	22.90 %	Leicestershire
EM Major Crime	All 5 Forces	22.90 %	Leicestershire
EM Forensics	All 5 Forces	22.90 %	Derbyshire
EM Criminal Justice	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.30 %	Lincolnshire
EM Operational Support Service	Leicestershire, Northamptonshire and Lincolnshire <i>(From the 1<sup>st</sup> May 2018 – 31<sup>st</sup> May 2020)</i>	44.90 %	Lincolnshire
Specialist Operations Training	Leicestershire, Northamptonshire and Lincolnshire <i>(From the 1<sup>st</sup> June 2020)</i>	44.90%	Leicestershire
EM Legal Services	All 5 Forces	22.90 %	Derbyshire
EM Occupational Health	All 5 Forces	22.90 %	Leicestershire
EM Learning & Development	Leicestershire, Nottinghamshire, Northamptonshire and Derbyshire	26.36 %	Leicestershire
EM HR Shared Service Centre	Leicestershire & Derbyshire	50.00 %	Derbyshire
EM ESN Programme Team	All 5 Forces	22.60 %	Leicestershire
ASU (Hangar Only)	Leicestershire, Northamptonshire and Warwickshire	33.33 %	Leicestershire

The following tables relate to Leicestershire's share only.

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

2018/19 £000		2019/20 £000
1,145	Police pay & allowances	1,097
4,619	Police Staff pay & allowances	5,286
198	Other employees expenses	134
132	Premises	175
209	Transport	208
955	Supplies & services	1,001
40	Agency & contracted services	718
(938)	Income from Government Grants	(827)
(214)	Income from Fees & charges	(413)
(6,358)	Funding provided to the pooled budget	(7,662)
299	Depreciation & Amortisation	324
263	(Surplus / Deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	-
<b>350</b>	<b>Cost of Services</b>	<b>41</b>
(3)	Gains / Losses on disposal of non-current assets	7
(72)	Capital Grants & Contributions	-
<b>275</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>-</b>
1	(Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)	7
<b>276</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>55</b>

**6. Related parties**

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

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

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

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

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

**7. External audit costs**

In 2019/20 the OCC incurred the following fees relating to external audit.

2018/19 £000	Costs	2019/20 £000
12	External audit services	18
<b>12</b>	<b>Total</b>	<b>18</b>

**8. Leases**

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

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

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

**9. Debtors**

**9.1 Long-Term Debtors**

At the balance sheet date seven car loans to employees were outstanding (2018/19 – 9). The loans are made to employees who are in posts who are designated as ‘essential car users’, the interest rate applicable to each loan is fixed to the Bank of England base rate and is not variable during the life of the loan.

**9.2 Short-Term Debtors**

31st March 2019 £000		31st March 2020 £000
	<b>Short-term debtors</b>	
34	Central government bodies	30
24	Local authorities	24
43	Other Entities & Individuals	46
<b>101</b>		<b>100</b>

**10. Creditors**

31st March 2019 £000		31st March 2020 £000
	<b>Short-term creditors</b>	
(3,275)	Central government bodies	(3,643)
(3,618)	Other Entities & Individuals	(4,202)
<b>(6,893)</b>		<b>(7,845)</b>

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

**11. Financial Instruments**

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

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

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

## 12. Unusable reserves

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

31st March 2019 £000		Note	31st March 2020 £000
2,282,561	Pension reserve	13	2,294,748
3,618	Accumulated absences account	15	4,202
<b>2,286,179</b>	<b>Total unusable reserves</b>		<b>2,298,950</b>

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

## 13. Pensions reserve

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

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

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

2018/19 £000		Note	2019/20 £000
<b>2,076,727</b>	<b>Balance at 1st April</b>		<b>2,282,561</b>
45,500	Actuarial gains or losses on pensions assets and liabilities		(48,973)
187,947	Reversal of items relating to retirement benefits debited or credited to the <i>surplus/deficit on the provision of services</i> in the Comprehensive Income & Expenditure Statement	14/1	94,193
(27,613)	Employer's pensions contributions and direct payments to pensioners payable in the year	1	(33,033)
<b>2,282,561</b>	<b>Balance at 31st March</b>		<b>2,294,748</b>

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

### 14. Defined benefit pension schemes

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

#### *Participation in pension schemes*

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

The OCC participates in the following pension schemes:

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

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

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

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

Three schemes were in operation during 2019/20 as well as injury awards:

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

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

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

## Notes to the core financial statements

	Local Government Pension Scheme		Police Pension Schemes		Comprehensive Income & Expenditure Account	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
<b>Cost of services:</b>						
Current service cost	15,898	18,600	35,383	45,255	51,281	63,855
Past service cost	3,746	57	110,602	-	114,348	57
(Gain) / loss from settlements		-	-	-	-	-
	19,644	18,657	145,985	45,255	165,629	63,912
<b>Other Operating Expenditure:</b>						
Funding from OPCC	-	-	(31,263)	(26,151)	(31,263)	(26,151)
<b>Financing &amp; investment income/expenditure:</b>						
Net Interest cost	2,617	3,250	50,964	53,182	53,581	56,432
<b>Net charge to surplus / deficit on provision of services</b>	<b>22,261</b>	<b>21,907</b>	<b>165,686</b>	<b>72,286</b>	<b>187,947</b>	<b>94,193</b>
<b>Other comprehensive income &amp; expenditure:</b>						
Return on Plan Assets (excluding the amount included in the net interest expense)	(5,965)	21,620	-	-	(5,965)	21,620
Actuarial (gains)/losses on changes in demographic assumptions		(11,866)	-	(35,796)	-	(47,662)
Actuarial gains and losses arising on changes in financial assumptions	31,530	(49,019)	80,436	43,604	111,966	(5,415)
Other (if applicable)	(1)	(17,516)	(60,500)	-	(60,501)	(17,516)
<b>Net charge to total comprehensive income &amp; expenditure</b>	<b>47,825</b>	<b>(34,874)</b>	<b>185,622</b>	<b>80,094</b>	<b>233,447</b>	<b>45,220</b>
<b>Statement of Movement in Reserves:</b>						
Reversal of items not permitted to be charged to the general fund by statute	(47,825)	34,874	(185,622)	(80,094)	(233,447)	(45,220)
Employer Contributions	8,963	9,439	18,650	23,594	27,613	33,033
<b>Net charge to general fund</b>	<b>8,963</b>	<b>9,439</b>	<b>18,650</b>	<b>23,594</b>	<b>27,613</b>	<b>33,033</b>
Retirement benefits payable to pensioners	n/a	n/a	n/a	n/a	n/a	n/a
<b>Analysed as:</b>						
Employers' contributions payable to schemes	8,963	9,439	14,398	21,006	23,361	30,445
Employers' contributions payable to schemes – Cash Top-Up	-	-	1,846	-	1,846	-
Direct payments - Injury awards payable	-	-	2,406	2,588	2,406	2,588
<b>Total</b>	<b>8,963</b>	<b>9,439</b>	<b>18,650</b>	<b>23,594</b>	<b>27,613</b>	<b>33,033</b>

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

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

	Local Government Pension Scheme		Police Pension Schemes		Balance Sheet	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Present value of the defined benefit obligation	(353,051)	(299,555)	(2,152,002)	(2,208,502)	(2,505,053)	(2,508,057)
Fair value of plan assets	222,492	213,309	-	-	222,492	213,309
<b>Sub total</b>	<b>(130,559)</b>	<b>(86,246)</b>	<b>(2,152,002)</b>	<b>(2,208,502)</b>	<b>(2,282,561)</b>	<b>(2,294,748)</b>
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(130,559)</b>	<b>(86,246)</b>	<b>(2,152,002)</b>	<b>(2,208,502)</b>	<b>(2,282,561)</b>	<b>(2,294,748)</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	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Opening fair value of scheme assets	203,557	222,492	-	-
Interest Income	5,591	5,435	-	-
<b>Remeasurement gain/(loss)</b>	5,965	(21,620)	-	-
The return on plan assets; excluding the amount included in the net interest expense	-	-	-	-
Other (if applicable)	-	-	-	-
The effect of changes in foreign exchange rates	8,963	9,439	18,650	23,594
Contributions from employer	-	-	31,263	26,151
Employer Contributions (Top Up Grant)	2,713	2,720	8,623	8,828
Contributions from employees into the scheme	-	-	-	-
Benefits paid	(4,297)	(5,157)	(58,536)	(58,573)
Other (if applicable)	-	-	-	-
<b>Closing fair value of scheme assets</b>	<b>224,492</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	Local Government Pension Scheme		Police Pension Schemes	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>(295,254)</b>	<b>(353,051)</b>	<b>(1,985,030)</b>	<b>(2,152,002)</b>
Current Service Cost	(15,898)	(18,600)	(35,383)	(45,255)
Interest Cost	(8,208)	(8,685)	(50,964)	(53,182)
Contributions from scheme participants	(2,713)	(2,720)	(8,623)	(8,828)
Remeasurement (gains) and losses	-	-	-	-
• Actuarial gains/losses arising from changes in demographic assumptions	-	11,866	-	35,796
• Actuarial gains/losses arising from changes in financial assumptions	(31,530)	49,019	(80,436)	(43,604)
• Other (if applicable)	1	17,516	60,500	-
		(57)	(110,602)	-
Past service cost	(3,746)	-	-	-
Losses/(gains) on curtailment (where relevant)	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	4,297	5,157	58,536	58,573
Liabilities extinguished on settlements (where relevant)	-	-	-	-
<b>Closing balance at 31 March</b>	<b>(353,051)</b>	<b>-</b>	<b>(2,152,002)</b>	<b>-</b>

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

The liabilities show the underlying commitments that the OCC has in the long run to pay for retirement benefits. The total net liability of £2,295m has a substantial impact on the net worth of the OCC as recorded in the balance sheet, resulting in a negative overall balance of £2,299m. However, the statutory arrangements for funding the deficit mean that the financial position of the OCC remains stable.

The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. With effect from 1<sup>st</sup> April 2019 the employer's contribution rate increased to 21.8% (20.8% for 2018/19) and is due to rise to 22.8% in 2020/21.

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

The deficit on the LGPS scheme has decreased by £44.3m between March 2019 and March 2020 due to changes in the financial assumptions and the impact of the actual versus expected membership experience since the last full valuation in March 2015.

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2018/19 resulted in an increase in the employers' contribution rate from 21.3% to 31% from April 2019. The Home Office made a specific grant of £1.9m available to assist the Force in funding the increased employer's contributions in 2019/20. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The Pension Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value as required by IAS 19. The police schemes and the Local Government Pension Scheme liabilities have been valued by Mercer and Hymans Robertson respectively. Both are independent firms of actuaries.

### **'McCloud / Sargeant' Judgement**

#### ***Police Pension Scheme***

The Chief Constable, along with other Chief Constables and the Home Office, currently has 112 claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March.

The Police Minister has indicated that remedy period will not end before 2022. It is anticipated the Treasury will consult on proposals to implement remedy in the coming months to be followed by primary legislation and scheme regulation.

#### ***Local Government Pension Scheme***

When the LGPS benefit structure was reformed in 2014, transitional protections were also applied to certain older members close to normal retirement age. It is therefore likely that the McCloud / Sargeant judgement will also apply to the scheme, although no proposals regarding the actual remedy have been announced.

#### Impact on pension liability

#### ***Police Pension Scheme***

Allowing for all officers to remain in their existing scheme as at 1 April 2015 leads to an increase in the Police Pension Scheme liabilities. The scheme actuaries estimated the potential increase in scheme liabilities for the force to be approximately 5.4% or £103m of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-19 accounts. The accounting figures for 2020 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year.

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

### **Local Government Pension Scheme**

Quantifying the impact of the judgement is difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Scheme actuaries adjusted GAD's estimate to better reflect the Leicestershire Pension Fund's local assumptions, particularly salary increases and withdrawal rates resulting in a potential increase in scheme liabilities of £3.5m. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-19 accounts. The accounting figures for 2020 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

### **Guaranteed Minimum Pension (GMP)**

Guaranteed minimum pension (GMP) was accrued by pension scheme members (officers & Staff) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes and hence scheme employers.

The pension liabilities of both schemes were increased in 2018/19 to allow for the potential impact of the GMP changes. The estimate assumed that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimates received from the actuaries were that for the Police Pension scheme the additional liability was £7.6m (equal to 0.4% of the overall ISA19 liabilities) and for the LGPS approximately £0.1m. These increases were reflected in the IAS19 disclosures as a past service cost in the 2018/19 accounts. The accounting figures for 2020 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year.

### Basis for Estimating Assets and Liabilities

	Local Gov't Scheme		Police Schemes	
	2018/19	2019/20	2018/19	2019/20
	Years	Years	Years	Years
<b>Mortality assumptions:</b>				
<b>Longevity at 65 (60 for police schemes) for current pensioners:</b>				
• Men	22.1	21.5	26	27
• Women	24.3	23.8	28	29.1
<b>Longevity at 65 (60 for police schemes) for future pensioners:</b>				
• Men	23.8	22.2	28	29.2
• Women	26.2	25.2	30	31.3

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

	Local Gov't Scheme		Police Schemes	
	2018/19	2019/20	2018/19	2019/20
• rate of inflation (increase or decrease by 1%)	3.50%	-	2.20%	2.10%
• rate of increase in salaries (increase or decrease by 1%)	3.50%	2.30%	3.70%	3.60%
• rate of increase in pensions (increase or decrease by 1%)	2.50%	1.80%	2.30%	2.20%
• rate for discounting scheme liabilities (increase or decrease by 1%)	2.40%	2.30%	2.50%	2.30%

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

2018/19 £000	Fair Value of Scheme Assets	2019/20 £000
6,665	Cash and cash equivalents	6,390
	<i>Equity instruments: by industry type</i>	
569	Consumer	545
167	Manufacturing	160
468	Energy and utilities	449
706	Financial institutions	677
168	Health and care	157
187	Information technology	180
1,613	Other	1,547
<b>3,878</b>	<b>Sub total equity</b>	<b>3,715</b>
	<i>Bonds: by sector</i>	
18,838	UK Government	18,061
2,881	Other	2,763
<b>21,719</b>	<b>Sub total bonds</b>	<b>20,824</b>
	<i>Property: by type</i>	
16,630	UK Property	15,943
-	Overseas Property	-
<b>16,630</b>	<b>Sub total property</b>	<b>15,943</b>
	<i>Private equity</i>	
10,260	All	9,836
<b>10,260</b>	<b>Sub total private equity</b>	<b>9,836</b>
	<i>Other investment funds</i>	
89,360	Equities	85,672
9,401	Bonds	9,014
18	Hedge Funds	18
7,869	Commodities	7,544
11,701	Infrastructure	11,218
45,274	Other	43,406
<b>163,623</b>	<b>Sub total other investment funds</b>	<b>156,872</b>
	<i>Derivatives</i>	
-	Forward foreign exchange contracts	-
<b>(283)</b>		<b>(271)</b>
<b>222,492</b>	<b>Total assets</b>	<b>213,309</b>

### 15. Accumulated absences account

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

During 2019/20 Police Officer Rest days in lieu increased from £1,074k to £1,254k and Time off in lieu from £408k to 549k. Police Staff Annual leave increased from £573k to 644k, Rest days in lieu from £219k to £264k and Time off in lieu from £233k to £339k. These increases are partly due to increases in the officer

## Notes to the core financial statements

establishment but also due to officers and staff cancelling leave that would normally have been taken in March due to COVID-19.

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

2018/19 £000		2019/20 £000
(4,201)	<b>Balance at 1<sup>st</sup> April</b>	<b>(3,618)</b>
4,201 (3,618)	Reversal of opening accrual made at the end of the preceding year Amounts accrued at the end of the current year	3,618 (4,202)
<b>583</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>(584)</b>
<b>(3,618)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(4,202)</b>

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

### 16. Cash flow statement – operating activities

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

2018/19 OCC £000		Note	2019/20 OCC £000
-	Increase/(decrease) in impairment bad debts		-
(28)	Increase/(decrease) in creditors/RIA		12
28	Increase/(decrease) in debtors/PIA		(12)
-	Increase/(decrease) in inventories		-
(160,334)	Movement in pension liability		(61,160)
-	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		-
583	Other non-cash items charged to the net surplus or deficit on the provision of services		(584)
<b>(159,751)</b>			<b>(61,744)</b>

### 17. Events after the balance sheet date

Events after the balance sheet date have been considered for inclusion in the accounts up to the authorised for issue date **XXXXXXXXX**. No adjusting events have taken place to date.

### 18. Contingent liabilities

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

The Independent Inquiry into Child Sexual Abuse (IICSA) will investigate whether public bodies and other non-state institutions have taken seriously their duty to protect children from sexual abuse in England and Wales.

The Janner strand of the enquiry is due to be heard late in 2020. The Office of the Chief Constable will be required to meet the legal costs in representing the interests of the Force. A reliable estimate of these costs cannot be made at this time and therefore it is highlighted as a contingent liability in the Group / OPCC accounts.

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### **19. Critical judgements in applying accounting policies**

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

Whilst the funding made available to the Chief Constable increased during 2019/20 and 2020/21 there remains a high degree of uncertainty about future levels of funding for local government. This uncertainty has increased due to the global Covid-19 pandemic. Many organisations have had to adapt how they work to maintain essential services and safeguard their employees wherever possible. The CC has adapted along with its partners to continue to keep communities safe in these challenging times. The additional costs incurred as a result of Covid-19 are being monitored. The Home Office and Treasury are currently reviewing options around the reimbursement of forces of Covid-19 costs however, these have not yet been finalised. The OPCC has determined that this uncertainty around future funding and the additional costs of Covid-19 are not yet sufficient to provide an indication that the assets of the OPCC might be impaired as a result of a need to close facilities and reduce levels of service provision. The OCC would be directly affected by changes in funding for local government as it would potentially impair the resources available for use.

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

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

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

The introduction of the new Single State Pension in April 2016 disrupted the previous arrangements for ensuring that equality of benefits between males and females from public service pension schemes. To avoid this problem an interim solution was put in place by the UK Government for members reaching state pension age between the 6 April 2016 and 5 April 2020. However, it is likely that the interim solution will be continued beyond 2020 on the basis that UK and European law requires pension schemes to provide equal benefits to men and women. The actuaries have therefore been requested to provide estimates of the potential impact of the interim solution being applied to members reaching state pension age post 2020. These estimates were again been accounted for as a past service cost in the 2018/19 accounts and the pension liability at the 31<sup>st</sup> March 2020 continues to reflect the potential costs.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the OCC/OPCC about the future or that are otherwise uncertain. Estimates are made taking into account historical

experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Some of the key areas that could be affected are covered within the OPCC/Group statement of accounts (note 39) and the OCC could potentially be affected by those sensitivities or movements via either the intra-group transfer from the OPCC or those costs directly charged to the OCC.

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

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

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

#### Credit risk

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

The OPCC/Group follows a defined policy of only lending surplus cash resources to a limited list of banks / institutions. 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 4.31% of total income (2018/19 – 4.35%). The risk is managed via the OPCC/Group's credit control policy. This policy sets out the framework within which financial relationships with the OPCC/Group's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Chief Finance Officer for the OCC may authorise the write-off of unrecoverable amounts up to £10k. Amounts above £10k require the authorisation of the Chief Finance Officer for the OPCC.

To further mitigate the risk of customer credit default, the OPCC/Group assesses whether a bad debt impairment is required each year. No impairment is required for 2019/20 (2018/19 - 0.07% of the total debtors value).

#### Liquidity risk

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

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

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

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

## Market risk

### *Interest rate risk*

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

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

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

The OPCC/Group 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.

## **22. Accounting policies used by the Office of the Chief Constable for Leicestershire**

### **A1 General principles**

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

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

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

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

### **A2 Cost and intra-group income recognition**

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

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

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

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

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

### **A3 Accruals of income and expenditure**

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

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

### **A4 Exceptional items**

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

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

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

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

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

### **A6 Financial instruments**

#### **Financial liabilities**

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

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

#### **Financial Assets**

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

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

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

#### **Financial Assets Measured at Amortised Cost**

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

### **A7 Provisions & Contingent Liabilities**

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

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

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

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

#### **Contingent Liabilities**

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

made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are disclosed in a note to the accounts, if appropriate.

### **A8 Revenue Recognition / Income**

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

### **A9 Employee benefits**

#### ***Benefits payable during employment***

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

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

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

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

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

#### ***Termination benefits***

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

#### ***Post-employment benefits***

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

##### **a) Police officers**

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

### b) Police staff

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

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

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

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

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

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

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

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

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

### Discretionary benefits

The OCC also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements due to medical reasons or injury. Any liabilities estimated to arise as a result of an award to any

member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### ***A10 Jointly controlled operations***

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

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

### ***A11 Events after the reporting period***

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

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

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

### ***A12 Overheads and Support Services***

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

### ***A13 Reserves***

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

### ***A14 VAT***

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

## Introduction

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

The fund receives income each year from:

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

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

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

2018/19 £000		2019/20 £000
(13,560)	<b>Contributions receivable:</b>	
(838)	<b>OPCC/Group</b>	
(8,624)	■ employer's contributions	(20,425)
	■ early retirements	(581)
	■ officers' contributions	(8,827)
(23,022)		(29,833)
(348)	<b>Transfers in from other pension schemes</b>	(711)
	<b>Benefits payable:</b>	
44,572	■ pensions	47,268
10,710	■ commutations and lump sum retirement benefits	8,208
1,109	■ ill-health commutations and lump sum retirement benefits	931
17	■ lump sum death benefits	171
56,408		56,578
	<b>Payments to and on account of leavers:</b>	
23	■ refund of contributions	38
48	■ transfers out to other police Forces	81
71		118
<b>33,109</b>	<b>Net amount payable for the year</b>	<b>26,152</b>
<b>(33,109)</b>	<b>Additional funding Receivable from the Police Fund</b>	<b>(26,152)</b>

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

31st March 2019 £000		31st March 2020 £000
8,186	<b>Current assets</b>	
	Contributions due from the OPCC/Group	2,627
-	<b>Current liabilities</b>	
	Unpaid pensions benefits	-
<b>8,186</b>		<b>2,627</b>

### Notes

#### Note 1

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

#### Note 2

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

#### Note 3

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

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

#### Note 4

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2018/19 resulted in an increase in the employers' contribution rate from 21.3% to 31% from April 2019. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

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

## 1) Scope of Responsibility

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

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

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

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

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

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

## 2) The Purpose of the Governance Framework

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

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

The Corporate Governance Framework in place for 2019/20 has been reviewed and updated following extensive consultation. The revised version will be ratified in July 2020

## 3) The Governance Framework

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

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

During 2019/20, Mazars continued as Internal Auditors for the region. Regular review and planning meetings took place which helped identify, discuss and share best practice and identify potential common audit themes.

Additionally, for 2019/20, Mazars attended the Strategic Organisation Risk Board (SORB) as the force and the OPCC strengthened and embedded further the risk management processes in operation.

Mazars also attended Regional CFO and Finance Director meetings to update on the progress of 2019/20 Regional Collaboration audits and the Regional Collaboration Internal Audit Plan and the proposed workplan and timescales for 2020/21.

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

*“From our experience of attending or, in some cases, reviewing such arrangements across both the police sector and beyond, arrangements in place within Leicestershire Police / OPCC are generally sound.”*

A further self-assessment effectiveness review was undertaken by the OPCC and JARAP members during 2019/20 using CIPFA guidance. The findings were reported to the JARAP at its meeting on 23 October 2019. Overall, the review concluded that the JARAP is operated in an effective manner. Moreover, External audit (Ernst & Young LLP) commented “the JARAP has improved its effectiveness.....over the past couple of years.”

The 2020/21 Internal Audit Plan is to be considered and approved at the JARAP meeting to be held on 29 July 2020. It was prepared following discussion and consideration of regional and three force audit themes, the risk register and other factors.

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

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

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

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

### Chief Finance Officer

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

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

The Chief Financial Officer in a public service organisation:

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

### 4) Review of Effectiveness

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

The OPCC and OCC continued to invest in an Internal Audit programme in 2019/20 which provided assurance under the new arrangements for two corporation soles. The following specific local audits were undertaken:

- Pension Provider
- Workforce Planning & Absence Management
- Recruitment
- Complaints Management
- Custody Arrangements
- Partnerships
- Core Financials
- Payroll
- Payroll Provider
- Learning & Management Development
- Performance Management
- Health & Safety

During 2019/20, the following collaborative audits were carried out:

- Performance Management
- Health & Safety

In addition to a review of key controls working well and highlighting findings and recommendations, the Internal Audit reports also include an overview on sector comparisons, risk management and value for money observations.

The Mazars Internal Audit annual report covered the period 1 April 2019 to 31 March 2020 and will be reported to and considered by the JARAP in July 2020. The key messages in that report are included here within this Annual Governance Statement.

The Internal Audit opinions included within their annual report for both the Police and Crime Commissioner and the Chief Constable for 2019/20 were as follows:

*"From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31<sup>st</sup> March 2020, we can provide the following opinions":*



The basis of Mazars' opinion was as follows:

*"Internal Audit applies a risk-based approach and our audits assess the governance framework, the risk management process, as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we can provide assurance that management have in place a robust control environment and, whilst further remedial actions are needed in some areas, we are assured that management have in place effective processes for the implementation of identified areas of weakness."*

### Corporate Governance

*"Whilst a specific audit of Corporate Governance was not carried during 2019/20, as part of the 2018/19 Internal Audit plan we undertook an audit of the controls and processes in place in respect of corporate governance. The specific areas that formed part of this review included: governance framework, policies and procedures, roles and responsibilities and decision making. We concluded that there is a basically sound system of internal control, although there are weaknesses which put some of the Organisation's objectives at risk. Through the delivery of the internal audit plan and attendance at JARAP and Strategic Operational Risk Board (SORB) meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police has been effective for the year ended 31<sup>st</sup> March 2020."*

### Risk Management

*"Whilst a specific audit of risk management was not carried during 2019/20, as part of the 2017/18 Internal Audit plan we undertook an audit of the controls and processes in place in respect of risk management. The specific areas that formed part of this review included: policies and procedures; risk registers; risk mitigation; programme assurance; reporting arrangements and follow up of previous recommendations. We provided a satisfactory assurance opinion and concluded that there is a basically sound system of internal control, although*

## Annual governance statement

*we highlighted some areas where improvements to the control environment could be made. Overall risk management within the Force and OPCC is deemed effective and controls and processes tested were being consistently applied. This area is due to be audited as part of the 2020/21 internal audit plan.”*

*Additionally, during the course of delivering the 2019/20 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the ‘Internal Control’ section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.*

### Internal Control

*“As illustrated in the tables below, we have noted that Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police have a generally sound control environment, although we have noted areas where improvements are required. During the 2019/20 year, all 15\* internal audits were rated either ‘significant’ or ‘satisfactory’ with regards our assurance opinion. In addition, the three collaborative audits covering the East Midlands are still to be finalised.*

*The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2019/20, split between those specific to Leicestershire and those undertaken as part of East Midlands regional collaborative audits. The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2018/19, split between those specific to Leicestershire and those undertaken as part of East Midlands regional collaborative audits.”*

#### Leicestershire Only

Assurance Gradings	2019/20	
Significant	6	40%
Satisfactory	11	60%
Limited	0	0%
Nil	0	0%
<b>Total</b>	<b>16*</b>	

*\* One report still to be issued*

#### Collaboration Audits

Assurance Gradings	2018/19	
Significant	0	0%
Satisfactory	2**	100%
Limited	0	0%
Nil	0	0%
<b>Total</b>	<b>2*</b>	

*\* One report still to be issued. \*\*Draft gradings still to be confirmed.*

### Issues relevant to Annual Governance Statement

*“The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force’s overall assurance framework and assists in preparing an informed statement on internal control. Internal Audit, through its annual programme of activity, has a duty to bring to your attention any areas of weakness we believe should be considered when producing the Annual Governance Statement.”*

## *Restriction placed on the work of Internal Audit*

*As set out in the Audit Charter, we can confirm that Internal Audit had unrestricted right of access to all OPCC and Force records and information, both manual and computerised, cash, stores and other property or assets it considered necessary to fulfil its responsibilities.”*

External audit (Ernst & Young LLP) issued their ‘Annual Audit Letter for the year ended 31 March 2019’ in October 2019 and this was considered by the JARAP at their meeting held on 23 October 2019. The letter summarised the results of their 2018/19 audit and built on the ‘Audit Results Report’ considered by the JARAP at their meeting on the 24 July 2019. It reported that:

- *‘Unqualified - the financial statements give a true and fair view of the financial position of the PCC, CC, Group and Pension Fund as at 31 March 2019 and of its expenditure for the year then ended;*
- *other information published with the financial statements was consistent with the Annual Accounts;*
- *we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in you financial statements and which is unknown to you;*
- *from our work we determined that the PCC and CC had adequate arrangements to respond to the risks of securing its medium to longer term financial resilience;*
- *the PCC and CC complied with the 2015 Accounts and Audit regulations in their notice of audit;*
- *we concluded that you have put in place proper arrangements to secure value for money in your use of resources;*
- *the Governance statement was consistent with our understanding of the PCC and CC;*
- *we had no matters to report in the public interest;*
- *Written recommendations to the PCC and CC which should be copied to the Secretary of State – we did not identify any issues;*
- *Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014 – we had no matters to report;*
- *Reporting to the National Audit Office (NAO) on our review of the PCC and CC’s Whole of Government Accounts Return (WGA) – we had no matters to report;*

*As a result of the above we have also:*

- *issued a report to those charged with governance of the PCC and CC communicating significant findings resulting from our audit - our Audit Results Report was discussed verbally on 24 July 2019 and revised for the outcome of the audit on the 16<sup>th</sup> September 2019;*
- *issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office’s 2015 Code of Audit Practice - our certificate was issued on 16 September 2019’.*

The JARAP met four times in public during the year. The JARAP undertook a detailed work plan which included considering the work of internal and external audit, tracking of Internal Audit recommendations, risks and risk management and specific themes. In addition, the JARAP approved an annual workplan, for 2020, reviewed their terms of reference and produced an annual report of their work.

JARAP members undertake portfolio and detailed reviews into key areas and also regularly attend pertinent meetings including regular attendance at the Strategic Organisational Risk Board (SORB), the Force Change Board and the Strategic Health and Safety Committee.

During the year, the JARAP received or prepared a number of updates, presentations and reports on specific areas of risk or concern.

## **5) Significant Governance Issues**

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

In 2019/20 the internal auditors, Mazars, carried out 17 audits (one still outstanding) and as detailed on the table earlier none of these were given limited assurance. This was also the case during 2018/19 which indicates a sound internal control environment. As a result it is concluded that there are no significant issues or actions that need to be highlighted as part of this Annual Governance Statement.

## *Police and Crime Plan and Resources*

It was also highlighted in the previous year that the medium term financial outlook showed an anticipated deficit emerging over the life of the forecast. However, the Police Precept and Budget was agreed by the Police and Crime Panel on 5 February 2020 which demonstrated that by increasing the precept by the maximum allowed, and through the prudent use of reserves, the medium term financial outlook now showed a balanced position over the life of the forecast which was until 31 March 2024.

However, this position will be reviewed and updated on a regular basis and is likely to change over time given uncertainty about the impact of the Covid 19 pandemic, Brexit and the impending Comprehensive Spending Review.

## *HMIC Inspections and Force Performance*

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

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

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

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

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

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

There have no further HMICFRS inspections in this area since.

## *High priority strategic risks*

At the end of March 2019 the Strategic Risk Register highlighted 11 strategic risks that were judged to be high priority. They were:

- Churn of staff and establishment pressure
- Inability to meet regional OHU demand
- Management of geographical information
- CSI capacity and lack of accreditation
- Ineffective tracking of force assets
- Capacity in IT to support digital transformation
- Implementation of JES Scheme
- Evolving digital sophistication
- Maintaining workforce wellbeing
- Back-up generators with unsuitable diesel
- Complying with Home Office counting rules

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

## *Conclusion*

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

**Simon Cole**  
**Chief Constable**  
**XX July 2020**

**Paul Dawkins**  
**Chief Finance Officer**  
**XX July 2020**



## **ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION 2019/20**

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

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

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

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

Compliance is monitored by management review and supported by specialist professional advice where appropriate. Where areas for improvement are identified these are subject to action plans that are revisited to ensure that they have been attended to. Thematic inspections form part of the monitoring controls to ensure compliance with appropriate policies and regulations and demonstrate the effective and efficient use of resources.

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

A management structure is in place, with clear lines of accountability for both operational issues and use of resources. A budget is approved each year at the EMPCC/CC's Board which defines the expenditure targets for each area of policing within EMSOU. Each force actively supports the budget allocation and sets its own precept accordingly.

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

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

The EMPCC/CC's Board provides a forum for all members of collaboration to feedback their experiences of the partnership work. All forces can discuss governance, performance and financial issues at the quarterly meetings. The collaboration builds on best practice from across the country and the region to improve performance as well as saving money.

### **5. COVID-19 pandemic**

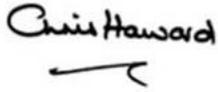
Early on we established representation in Leicestershire and Derbyshire Gold Groups. Internally we also have EMSOU Silver & Gold Groups – dealing with operational, resilience, sickness and abstraction issues. There is regular reporting through the ROCU network which has given assurance we are aligned across the country.

## Annual governance statement

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Minimal face to face meetings have taken place since lockdown, instead utilising video conferencing facilities. This has allowed governance processes to continue without disruption. Financial impact is being monitored and reported through Forces.

Looking forward we have an EMSOU Recovery Group and also an organisational learning team which will assist in establishing what our new normal may look like. This piece of work is well underway at time of reporting.



Chris Haward  
**Deputy Chief Constable (East Midlands)**

**10<sup>th</sup> July 2020**

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

**Opinion**

### **Accounting policies**

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

### **Accrual**

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

### **Actuarial gain/loss**

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

### **Actuarial Valuation**

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

### **Amortisation**

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

### **Budget**

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

### **Capital expenditure**

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

### **Capital financing requirement**

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

### **Capital grant**

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

### **Capital receipts**

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

### **CIPFA**

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

### **Commuted lump sums**

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

### **Contingent liabilities**

A contingent liability is either:

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

### **Corporate and democratic core**

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

### **Creditors**

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

### **Current service cost (Pensions)**

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

### **Debtors**

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

### **Deferred liabilities**

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

### **Defined benefit scheme**

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

### **Depreciation**

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

### **Financial regulations**

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

### **Financial year**

The period of time commencing on the 1<sup>st</sup> April covered by the accounts.

### **Formula spending share**

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

### **Impairment**

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

### **Investment property**

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

### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

### **Leasing**

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

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

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

### **Liquid resources**

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

### **Minimum revenue provision**

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

### **Net book value**

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

### **Non-current assets**

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

### **Non distributed costs**

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

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

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

### **Precept**

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

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

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

### **Receipts and payments**

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

### **Unusable reserves**

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

### **Usable reserves**

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