



Chief Constable for Hampshire

Statement of Accounts

2012/13

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Chief Finance Officer's Explanatory Foreword to the Statement of Accounts

Introduction

The Statement of Accounts sets out the overall financial position of the Chief Constable for Hampshire, who serves both counties of Hampshire and the Isle of Wight, for the year ending 31 March 2013. The accounts have been prepared using the International Financial Reporting Standards (IFRS), in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. This foreword provides a brief explanation and overview of the operational performance and activities during 2012/13.

The Police and Crime Commissioner and the Chief Constable

As a consequence of the Police Reform and Social Responsibility Act 2011 ('the Act'), elections were held on 15 November 2012 to replace police authorities with directly elected police and crime commissioners (Commissioners). The Commissioner for Hampshire, Mr Simon Hayes, took office on 22 November 2012 for a fixed period of three and a half years.

The core functions of the Commissioner for Hampshire are to secure the maintenance of the police force for the area and to secure that the police force is efficient and effective. Other key functions include

- Holding the Chief Constable to account
- Appointment / suspension / removal of the Chief Constable
- Setting the priorities for the Force and producing the Police and Crime Plan
- Attending the Police and Crime and Panel
- Setting of the annual budget and Council Tax precept
- Direct engagement with the public
- Publishing an annual report stating how priorities and targets have been met, and other information as specified by the Secretary of State to enable greater public awareness of police and crime performance in the area
- Collaborating for an efficient and effective Criminal Justice System for Hampshire and the Isle of Wight with partners such as the Youth Offending Team, Crown Prosecution Service and Prison Service etc

Although the Commissioner is ultimately accountable to the electorate via the ballot box, a Police and Crime Panel (PCP) is also established under the Police Reform and Social Responsibility Act and is charged with scrutinising and supporting the work of the Commissioner. The Panel, however, cannot hold the Chief Constable to account.

The local authorities within Hampshire and the Isle of Wight are responsible for establishing and maintaining the PCP. The Panels are made up of one councillor member from each local authority and a number of independent members. In Hampshire, the PCP comprises 15 Councillors (one from each of the Local Authorities within the Policing Area including Hampshire County, Boroughs and Districts, Isle of Wight, Portsmouth and Southampton) plus an additional 2 co-opted members. With the permission of the Secretary of State the PCP may appoint a further 3 co-opted persons.

The PCP has a range of powers and responsibilities including:

- To review the draft Police and Crime Plan
- To publicly scrutinise the Commissioner's Annual Report

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- To review and scrutinise decisions and actions of the Commissioner
- To review and veto the Commissioner's proposed Council Tax precept levels
- To review the Commissioner's Conduct – the PCP can suspend the Commissioner if they are charged with a 2 year imprisonable offence and report to IPCC, however they cannot remove the Commissioner
- To confirm the Chief Constable's appointment
- To appoint an acting Commissioner, if required

The Chief Constable has established a joint audit committee with the Commissioner. This has the following functions:-

- To support the Police and Crime Commissioner, Chief Constable and statutory officers in ensuring that effective governance and risk management arrangements are in place and functioning efficiently and effectively;
- to scrutinise the draft statement of accounts and consider whether appropriate accounting policies have been followed;
- to make recommendations for improvements to anti fraud and corruption strategies.

The Commissioner took up office at a time when the economy was still in a period of austerity with low growth in the national economy and the police service itself being subject to continuing budget reductions which started in 2010/11. The Commissioner's initial priorities were to set his financial budget, appoint a new chief constable and prepare his Police and Crime Plan. All of these have now been achieved and details of the Police and Crime Plan can be found on the Commissioner's website at www.hampshire-pcc.gov.uk

The vision of the Commissioner is to make Hampshire and the Isle of Wight even safer by improving community safety, cutting crime and reducing re-offending. A new Chief Constable, Mr Andy Marsh, was appointed on 31 January 2013.

In policing terms Hampshire Constabulary is the second largest non-metropolitan force in England and Wales. The combined population of Hampshire and the Isle of Wight is approximately 1.9m. The policing priorities are set out in the Police and Crime Plan and further information on achievements and developments can also be found on the Commissioner's website and on the Chief Constable's website at www.hampshire.police.uk

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The 2011 Act established the Police and Crime Commissioner and the Chief Constable as separate entities (known as 'corporations sole'). As separate bodies, both the Commissioner and the Chief Constable are required to appoint their own Chief Finance Officers, each with statutory responsibilities, as being the person responsible for proper financial administration under the provisions of the Act. A consequence is also that each body is required to be subject to audit under the Audit Commission Act 1998 and are thus required to prepare a set of accounts. Additionally, the Commissioner, with his ultimate control over the Chief Constable's resources, has to prepare group accounts.

The Home Office has produced a Financial Management Code of Practice (FMCP) which sets out the responsibilities of the respective Chief Finance Officers. This came into effect

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on 16 January 2012 and is available on the following link: [Financial Management Code of Practice](#)

The Act outlined a two-staged approach to the establishment of the offices of Police and Crime Commissioners and the statutory relationship between Commissioners and Chief Constables. The FMCP outlines how the two bodies should work together in managing the finances and covers such things as schemes of consent and delegation which identify what powers the Commissioner transfers to the Chief Constable. At Stage 1, all of the assets and liabilities of the Police Authority were transferred to the Commissioner. Proposals for a Stage 2 transfer identifying what assets and liabilities will transfer from the Commissioner should be presented to the Home Secretary in time for these to be agreed and in place by 1 April 2014.

Under Stage 1, the form of the relationship between the two entities is such that the Commissioner has the ultimate control over the resources, including the Chief Constable, and all funding goes to the Commissioner. The nature of this relationship means that, on balance, transactions, benefits and liabilities sit within the accounts of the Commissioner and there are thus no transactions or balances within the Chief Constable's accounts. This is in accordance with the principles of IAS18 Revenue Recognition.

Notwithstanding the above, and reflecting the fact that the Chief Constable does provide services which are funded by the Commissioner, the notes to the accounts presented herein include a statement of the Commissioner's resources consumed at the request of the Chief Constable, which shows the accounting cost of the activities undertaken. This is analysed over both the CIPFA Service Reporting Code of Practice headings and the CIPFA Standard Form subjective income and expenditure headings.

In addition to the above, the Code of Practice for Local Authority Accounting 2012/13 states that merger accounting should be applied where the entity in which the interest was acquired was 100% in public sector ownership both before and after acquisition by the local authority. Thus, the demise of the Police Authority and the acquisition of all of its assets and liabilities by the Commissioner is deemed to fall under these provisions. The Commissioner's CFO has determined that the PCC will account for the establishment of the two police bodies in accordance with FRS 6 Acquisitions and Mergers and will restate the financial performance, position and cash flows of the entities involved as if the service or function performed had always taken place in these entities. Assets and liabilities have been transferred at their carrying amount except where otherwise required by the Code. Details of these are found in the Commissioner's Statement of Accounts.

A set of accounts has been prepared for the Chief Constable which are subject to audit and the Chief Constable's Statement of Accounts for 2012/13 consists of the following:

Statement of Responsibilities for the Statement of Accounts – Page 8

This explains the Chief Constable's and his Chief Finance Officer's responsibilities in respect of the Statement of Accounts, and how these responsibilities are properly carried out.

Independent Auditor's Report – Page 9

The Independent Auditor provides an opinion on whether the accounts of the Chief Constable present a true and fair view on the financial position together with a conclusion on the Chief Constable's arrangements for securing value for money.

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Annual Governance Statement – Page 12

The Annual Governance Statement explains how the Chief Constable has complied with his code of corporate governance, which is itself consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. This also meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

Movement in Reserves Statement – Page 17

This statement shows the movement in the year on the different reserves held by the Commissioner, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other – i.e. 'unusable' - reserves. This statement is produced for the purposes of completeness: as the Chief Constable does not have any reserves, there are no entries in this statement.

Comprehensive Income and Expenditure Statement – Page 19

This shows a summary of the resources generated and consumed in the year. It shows the net cost for the year of the functions for which the Chief Constable is responsible and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. These are presented in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's Service Reporting Code of Practice. As all income and expenditure was made or received by the Commissioner there are no entries in this statement.

Balance Sheet - Page 21

The Balance Sheet, as at 31 March 2013, sets out the year end financial position. It shows the balances and reserves at the Chief Constable's disposal and long-term indebtedness, the fixed and net current assets employed in its operations, and summarised information on the fixed assets held. However, all assets and liabilities were transferred from the former Police Authority to the Police and Crime Commissioner for Hampshire, where they remained at year end. Consequently, there are nil balances in the Chief Constable's Balance Sheet.

Cash Flow Statement – Page 22

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Chief Constable operates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. However, as the Commissioner owns the Police Fund, incurs all expenditure and receives all income, the Chief Constable's cash flow statement shows nil balances and movements.

Notes to the Accounts – Page 23

These provide additional information to support the figures included in the financial statements and is relevant to an understanding of them.

The Statement of Accounting Policies is incorporated within these notes. These outline the accounting policies applied by the Commissioner and the Chief Constable in constructing their accounts and the group accounts. The policies are in line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Service

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Reporting Code of Practice 2012/13, and are supported by International Financial Reporting Standards (IFRS). These are applied so that the accounts are consistent one year with another.

Relationship between Accounting Statements

The different accounting statements are linked in several important ways. The Movement in Reserves Statement shows the movement in the year on the different reserves which are held, 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 services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

The Cash Flow statement reconciles to the balance on the Comprehensive Income and Expenditure account for the year and the movement in Balance Sheet liquid assets and liabilities.

The Comprehensive Income and Expenditure Statement balance is reconciled in the Movement in Reserves Statement to the actual movement in the general fund cash reserve.

As stated previously, decisions made regarding accounting for Stage 1 of the transfer of responsibilities from the Police Authority to the Police and Crime Commissioner, and the relationship with the Chief Constable at this first stage, means that all of the key accounting statements contain only nil entries. At Stage 2, which is expected to have occurred by 1 April 2014, this position may change. Notwithstanding this, to show the cost of the services which the Chief Constable has delivered using a budget provided by the Commissioner, a memorandum statement is shown as a note to these accounts and in this Foreword to aid reader understanding. More details of the financial environment in which the Commissioner and the Chief Constable are operating are included in the Commissioner's and the Group Accounts.

Review of the year

Operational performance

Hampshire Constabulary achieved a sixth consecutive annual reduction in overall crime across Hampshire and the Isle of Wight. Between April 2012 and March 2013 there were 108,745 reported offences, a drop of 19,945 offences or 15.5% compared with the previous year. In addition to less crime we have seen solved crime rates match the previous year's 31%. A further breakdown of the reductions in crime in some of the key areas is below:

| | 2011/12 (final) | 2012/13 (provisional) | Percentage Reduction |
|------------------|--------------------|---------------------------|-------------------------|
| House Burglaries | 4,981 | 3,843 | 22.8% |
| Violent Crime | 13,421 | 11,239 | 16.3% |
| Criminal Damage | 22,245 | 18,518 | 16.8% |
| Robberies | 950 | 738 | 22.3% |
| Vehicle Crime | 9,658 | 7,599 | 21.3% |

Chief Finance Officer's Explanatory Foreword to the Statement of Accounts

Collaborative working

There is a clear Home Office, Treasury and HMIC expectation for police bodies to work collaboratively. The Government and HMIC expect collaboration to form a significant part of any "value for money" plans in a new policing landscape to achieve key savings and ensure protective services have the capability and capacity to respond to future threats to the police service. The Commissioner and the Constabulary continue to work with police bodies, including the National Police Air Service, the South East Region Witness Protection Unit, Covert Policing and Technical Support Units with Thames Valley, Surrey and Sussex and the South East Region Serious and Organised Crime Directorate with all five South East Forces. Hampshire Constabulary is also collaborating with Hampshire County Council on a joint laboratory facility.

Hampshire Constabulary and Thames Valley Police have also created a bilateral partnership. Hampshire Police Commissioner has entered into a Section 23 agreement with Thames Valley in order to create a joint Information & Communications Technology (ICT) and Information Management department, with the Head of Department having direct responsibility for the provision of ICT and information management assurance for both Forces. A Joint Operations Unit has also been created using another Section 23 agreement with Thames Valley Police Commissioner allowing strategic operations, roads policing and dogs units to be delivered in collaboration between the two forces across departmental and geographical boundaries.

In addition to the above ongoing arrangements, the Commissioner signed up to the principle of joint working with Hampshire County Council and Hampshire Fire and Rescue Service on a range of support services, including Corporate Finance, Estates, Procurement and HR. The first three of these became 'early adopters' in April 2013 with the objective of providing process efficiencies, economies of scale, resilience and savings to all three organisations.

Financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable

The Police and Crime Commissioner for Hampshire provides resources to the Chief Constable so that the Chief Constable can provide the agreed services as outlined in the Police and Crime Plan. This is shown in a separate, memorandum statement which is reproduced below and is analysed over the activities as shown in CIPFA's *Service Reporting Code of Practice*. Whilst the Commissioner and the Chief Constable as separate entities came into being on 22 November 2012, the figures for the whole year and the previous year are shown, which is consistent with the accounting policies which have been adopted:-

Chief Finance Officer's Explanatory Foreword to the Statement of Accounts

Financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable

| Year Ending 31 March 2012 £'000 | | Year Ending 31 March 2013 £'000 |
|---------------------------------------|--|---------------------------------------|
| 148,279 | Local policing | 152,041 |
| 30,149 | Dealing with the public | 27,866 |
| 28,072 | Criminal justice arrangements | 28,435 |
| 18,153 | Roads policing | 14,855 |
| 19,861 | Specialist operations | 17,570 |
| 18,750 | Intelligence | 11,013 |
| 58,747 | Investigation | 61,731 |
| 13,744 | Investigative support | 11,915 |
| 19,791 | National policing | 21,909 |
| 355,546 | Financial resources consumed | 347,335 |
| 330 | Corporate costs | 272 |
| 29,143 | Non distributed costs | 8,155 |
| 385,019 | Total financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable | 355,762 |
| (385,019) | Intra-group adjustment | (355,762) |
| 0 | Net Cost of Policing Services | 0 |

Future Prospects

Operational

There are no significant changes in operational working in 2013/14, although the transformation of the constabulary and the need to make efficiencies is covering a number of areas and is looking for more savings, all of which will impact upon how policing services are delivered in the future. In addition, at the start of 2013/14, a number of support services - including corporate finance, procurement and estates - began the first phase of joint working with Hampshire County Council and Hampshire Fire and Rescue Service. More support services will follow and processes and systems will be redesigned to give greater efficiencies, economies of scale and resilience to all three partner organisations in the future.

The demise of the Police Authority and the establishment of the Police and Crime Commissioner role is a two-stage reorganisation of local policing. The Commissioner is required to present to the Home Secretary a proposal for a Stage 2 transfer of staff and responsibilities to the Chief Constable in the autumn of 2013.

Statement of Responsibilities – Chief Constable’s Accounts

The Chief Constable’s Responsibilities

The Chief Constable 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 organisation, that officer is the Chief Finance Officer;
- Manage the organisation’s affairs to secure economic, efficient, and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Chief Finance Officer’s Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting;
- kept proper accounting records which were up-to-date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Accounts

The Chief Finance Officer’s Statement

I certify that the Statement of Accounts for 2012/13 give a true and fair view of the financial position of the Chief Constable at 31 March 2013 and the income and expenditure for the year then ended

Signed: *Richard Croucher*

Date: 25 September 2013

Approval of Accounts by the Chief Constable

In accordance with the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts was approved by me on 25 September 2013.

Signed: *Andy Marsh*

Date: 25 September 2013

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR HAMPSHIRE

Opinion on the Chief Constable's financial statements

We have audited the financial statements of the Chief Constable of Hampshire for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, Operating Cost Statement, Balance Sheet, Cash Flow Statement and the related notes 1 to 6. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the Chief Constable of Hampshire, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of Hampshire, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 8, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Hampshire's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2012/13 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Hampshire as at 31 March 2013 and of the expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Independent Auditor's Report

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2012/13 by the Chief Financial Officer for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Chief Constable for Hampshire's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable of Hampshire has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, we have considered the results of the following:

- our review of the Annual Governance Statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work.

As a result, we have concluded that there are no matters to report.

Independent Auditor's Report

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable for Hampshire in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Kate Handy
Director
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton

26 September 2013

Annual Governance Statement – Chief Constable

1. SCOPE OF RESPONSIBILITIES

- 1.1 The Chief Constable is responsible for ensuring that that his business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Chief Constable also has a duty 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 Chief Constable is responsible for putting in place proper arrangements for the governance of his affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.2 The Chief Constable has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. A copy of the Code can be obtained from the Chief Finance Officer
- 1.3 This statement explains how the Chief Constable has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the Constabulary is directed and controlled and its activities through which it accounts to and engages with the public. It enables the Constabulary to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable 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 risk to the achievement of the Constabulary'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.
- 2.3 The governance framework has been in place at the Hampshire Constabulary for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

- 3.1 The annual governance statement should include a brief description of the key elements of the governance framework the Constabulary has in place. In November 2012, as a result of the Police Reform and Social Responsibility Act 2011, the police authority was replaced with two separate legal entities of the Constabulary and the Police and Crime Commissioner for Hampshire.

Annual Governance Statement – Chief Constable

- 3.2 The governance framework until November included the Police Authority's committee structure. The Governance Committee reviewed the Code of Corporate Governance, compliance with it and the review of effectiveness. A governance transition group was created to manage the transition from the established governance arrangements of the Police Authority to the new arrangements required.
- 3.3 The Police Reform and Social Responsibility Act 2011 and Financial Code of Management set out the statutory posts and their respective responsibilities. The Police and Crime Commissioner is responsible for holding the Chief Constable to account for performance and value for money. Regular one to one meetings are held between the Chief Constable and Police and Crime Commissioner. The Force has a weekly Chief Officers Group meeting and a monthly Senior Leaders Group that considers strategic issues. The Force Change Board is the governance board for all major change projects and is charged with identifying savings required to balance the reducing budget. The Police and Crime Commissioner, or a representative, attends the Force Change Board. The performance of the Constabulary is reviewed at monthly Force Performance Group meetings, which includes a representative from the Office of the Police and Crime Commissioner (OPCC). Performance is also reviewed by inspection agencies including Her Majesty's Inspectorate of Constabulary (HMIC), external audit, internal audit, the Health & Safety Executive, other statutory agencies and volunteer schemes such as custody visitors.
- 3.4 The HMIC, external audit and internal audit all specifically report on internal control and value for money. Outcomes from these inspections are summarised for the independent Joint Audit Committee. The annual review of effectiveness required under Regulation 4 of the Accounts and Audit (England) Regulations 2011 is reported to the Joint Audit Committee.
- 3.5 The key elements of the Constabulary's arrangements for governance are:
- the Constabulary's vision of its purpose and intended outcomes for people and service users has been reviewed in consultation with key stakeholders. It has been published on the Constabulary website and promoted by the Chief Constable at the Senior Leaders Conference and at various events and roadshows
 - the arrangements for governance have been reviewed and updated to reflect the changes in structure with the introduction of the Police and Crime Commissioner
 - the mission, vision and Police and Crime Plan translate into service objectives for the Constabulary and its partnerships. The objectives are turned into performance targets which are monitored at the monthly Force Performance Group and published in the Performance Profile on the Constabulary website
 - the Performance Profile measures the quality of service for users, including use of resources.
 - the HMIC publishes on its website a value for money study that the Constabulary uses to assess to identify any potential improvements
 - roles and responsibilities are documented in law, in the Code of Corporate Governance and in role profiles for executive, non-executive and officer functions. The Scheme of Delegation and decision log sets out delegated powers.

Annual Governance Statement – Chief Constable

- codes of conduct are in place for all officers and staff as set out in the Code of Corporate Governance. Personnel sign up to the codes of conduct on commencement of their role
- all decisions made by the Police and Crime Commissioner are logged and published on the website. Decisions made by the Constabulary at key meetings are recorded as notes for reference and communication
- the new post of Risk Manager has been filled. The Risk Manager is designing a revised framework for risk management. The review of risk management has highlighted a need for stronger processes
- counter fraud and anti-corruption strategies are developed and maintained by the Professional Standards Development and Corporate Finance. This gives the Constabulary in house capability to undertake proactive and reactive reviews of police operational and business transactions. Returns are submitted for national anti fraud and corruption work as well
- the Force Change Board oversees a number of programmes and boards who are delivering change and transformation. The Governance Transition Board oversaw the transition from the Authority to Police and Crime Commissioner
- the Chief Finance Officer ensures that the financial management arrangements conform to the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The Chief Finance Officer discharges the s151 responsibilities and is a member of the Chief Officer Group, Senior Leaders Group, Force Change Board, Force Performance Group and Estate Development Programme. New Financial Regulations, Standing Orders on Contracts and a Scheme of Delegation were introduced to reflect the change in governance arrangements
- the Chief Internal Auditor ensures the Chief Constable's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*. This was overseen by the Police Authority's Governance Committee until 22 November 2012. Oversight was provided by the Chief Finance Officers until the end of the financial year
- the monitoring officer responsibilities are required, by law, to be discharged by the Chief Executive of the Police and Crime Commissioner
- the Chief Constable is the head of paid service. The discharge of his functions is monitored by the Police and Crime Commissioner
- the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities* were discharged by the Governance Committee until 22 November 2012. The core functions were covered directly by those charged with governance until the end of the financial year. A robust process was put in place to attract the appropriate calibre of individuals for the Joint Audit Committee, the first meeting being May 2013
- management ensure that relevant laws and regulations, internal policies and procedures are complied with and that expenditure is lawful. Internal and external audit assist in the review of the controls and compliance with the control framework

Annual Governance Statement – Chief Constable

- a whistleblowing/confidential reporting facility is in place. This is both internal and external complaints against all personnel. Complaints are reviewed and acted upon
- a Professional Development Review process is in place. The process appraises performance but also identifies training and development needs for all officers and staff
- the Constabulary has a Performance and Consultation team which uses a variety of consultation survey methods to communicate with all sections of the community. Corporate Communications also communicate through public meetings, leaflets, media statements, website and social media. The communication strategy takes into account target markets so additional effort is made to communicate with hard to reach groups
- in February the Police and Crime Commissioner announced the Police and Crime Plan. The Chief Constable will be held to account for performance against a number of headings in the Plan. In addition, a series of public meetings will take place where the Police and Crime Commissioner and Chief Constable are held to account in public for service delivery and effectiveness
- delivery leads on partnerships are reminded of the need for good governance arrangements

4. REVIEW OF EFFECTIVENESS

- 4.1 Hampshire Constabulary has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Constabulary 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.
- 4.2 The Constabulary completes a matrix produced by CIPFA in order to review detailed aspects of governance arrangements in order to identify potential weaknesses. This takes into account findings from inspection agencies but in particular annual opinions from auditors.
- 4.3 During 2012/13 the Governance Committee reviewed the effectiveness until 22 November 2012. Those charged with governance took direct ownership until the end of the financial year. The Joint Audit Committee was established from May 2013. A joint approach to reviewing effectiveness has been adopted, as recommended, for efficiency purposes but also to ensure that the review of effectiveness is a review of group activities of both the Police and Crime Commissioner and the Constabulary due to the significant level of group activities.
- 4.4 I have been advised on the implications of the result of the review of the effectiveness of the governance framework. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Annual Governance Statement – Chief Constable

5 SIGNIFICANT GOVERNANCE ISSUES

- 5.1 Although a strategic risk register is in place, the review of effectiveness has identified a need to update supporting processes for risk management and business continuity across the OPCC and Constabulary. The change in governance structure since the end of the Governance Committee requires a revised governance framework to review strategic risk elements. The Constabulary has restructured and created a new post of Risk Manager. The Risk Manager is reviewing the current arrangements and during 2013/14 will set out a revised process for risk management covering the OPCC and Constabulary.
- 5.2 The Police and Crime Commissioner received a letter from the Health and Safety Executive in November 2012 requiring a plan of work to be put in place in relation to maintenance of buildings. An action plan is being led by the new joint working estates team. A budget of £2.7m is available specifically to address this issue. The Constabulary will assist to ensure that the plan is delivered.
- 5.3 During 2012/13, the Code of Corporate Governance inherited from the police authority has been updated to reflect changes to titles and roles as there are now separate codes for the Police and Crime Commissioner and the Constabulary. Both codes will be reviewed for comments by the Joint Audit Committee. New guidance is expected to be received regarding the role of the Joint Audit Committee. Ongoing learning and development will be delivered for the Joint Audit Committee and the officers supporting the Committee to ensure that the Committee is in a position to fulfil its functions.
- 5.4 I propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.
- 5.5 Overall, the effectiveness of the governance framework remains sound.

Signed by:

Andy Marsh

Chief Constable of Hampshire Constabulary

Movement in Reserves Statement – Chief Constable

This statement shows the movement in the year on the different reserves held by the Chief Constable, 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 services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax (precept) setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

Note that as the Chief Constable does not have any reserves – these are all held by the Commissioner – there are no entries in the following statement.

Movement in Reserves Statement – Chief Constable

| | General Fund Balance | Earmarked General Fund Reserves | Capital Receipts Reserve | Capital (Revenue Contributions) Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Reserves |
|--|----------------------|---------------------------------|--------------------------|---|--------------------------|-----------------------|-------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 2011 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Movements during 2011/12 | | | | | | | | |
| Surplus or (deficit) on the provision of services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Comprehensive Income and (Expenditure) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustments between accounting basis & funding basis under regulations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to/from earmarked reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/(Decrease) in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Movements during 2012/13 | | | | | | | | |
| Surplus or (deficit) on the provision of services | 0 | | | | | 0 | | 0 |
| Other comprehensive income and (expenditure) | | | | | | 0 | 0 | 0 |
| Total Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustments between accounting basis & funding basis under regulations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to/from earmarked reserves | 0 | 0 | | | | 0 | | 0 |
| Increase/(Decrease) in Year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise 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.

All income and expenditure is shown in the Commissioner's accounts, so there are no entries in this statement. The Commissioner provides the Chief Constable with a budget to deliver policing services and an analysis of the Commissioner's financial resources consumed at the request of the Chief Constable is shown in Note 3.

Comprehensive Income and Expenditure Statement

| 2011/12 | | | 2012/13 | | |
|-----------------|-------------------|--|-----------------|-------------------|--------------|
| Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| | | Net Cost of Police Services | | | |
| 0 | | Other operating (income) and expenditure | 0 | | |
| 0 | | Financing and investment income and expenditure | 0 | | |
| 0 | | Taxation and non specific grant income | 0 | | |
| 0 | | (Surplus) / Deficit on Provision of Services | 0 | | |
| 0 | | (Surplus) / deficit on revaluation of Property, Plant and Equipment assets | 0 | | |
| 0 | | Actuarial (gains) / losses on pension assets/liabilities | 0 | | |
| 0 | | Any other (gains) / losses | 0 | | |
| 0 | | Other Comprehensive Income and Expenditure | 0 | | |
| 0 | | Total Comprehensive Income and Expenditure | 0 | | |

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable.

The net assets (i.e. assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that cannot be used 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'.

As the Chief Constable does not have any reserves, hold any assets or have any liabilities, there are no entries in the following statement.

| 31 March 2012 | | 31 March 2013 |
|---------------|--------------------------------------|---------------|
| £'000 | | £'000 |
| 0 | Property, plant and equipment | 0 |
| 0 | Long term investments | 0 |
| 0 | Long term debtors | 0 |
| 0 | Long Term Assets | 0 |
| 0 | Short term investments | 0 |
| 0 | Assets held for sale | 0 |
| 0 | Inventories | 0 |
| 0 | Short term debtors | 0 |
| 0 | Cash and cash equivalents | 0 |
| 0 | Current Assets | 0 |
| 0 | Short term borrowing | 0 |
| 0 | Grants received in advance - revenue | 0 |
| 0 | Grants received in advance - capital | 0 |
| 0 | Short term creditors | 0 |
| 0 | Provisions | 0 |
| 0 | Current Liabilities | 0 |
| 0 | Long term borrowing | 0 |
| 0 | Other long term liabilities | 0 |
| 0 | Grants received in advance - capital | 0 |
| 0 | Liability related to pension schemes | 0 |
| 0 | Long Term Liabilities | 0 |
| 0 | Net Assets/(Liabilities) | 0 |
| 0 | Usable reserves | 0 |
| 0 | Unusable reserves | 0 |
| 0 | Total Reserves | 0 |

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period.

The statement shows the generation and uses of 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 entity are funded by way of taxation and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to 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).

As the Commissioner holds the Police Fund, receives all income and incurs all expenditure of the Group, and the Chief Constable consumes resources through a budget which is delegated to him to provide policing activity, the Chief Constable does not have any reserves, hold any assets or have any liabilities. As a result, there are no entries in the following statement.

| 2011/12 £'000 | 2012/13 £'000 |
|--|--------------------------------|
| 0 Net (surplus) or deficit on the provision of services | 0 |
| 0 Adjustments to net surplus or deficit on the provision of services for non-cash movements | 0 |
| 0 Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 0 |
| <hr/> 0 Net cash flows from Operating Activities | <hr/> 0 |
| 0 Investing Activities | 0 |
| 0 Financing Activities | 0 |
| <hr/> 0 Net (increase) or decrease in cash and cash equivalents | <hr/> 0 |
| <hr/> 0 Cash and cash equivalents at the beginning of the reporting period | <hr/> 0 |
| <hr/> 0 Cash and cash equivalents at the end of the reporting period | <hr/> 0 |

Notes to the core financial statements

1 – Organisation changes as a result of the Police Reform and Social Responsibility Act 2011

Following the Police Reform and Social Responsibility Act 2011 (The Act), Hampshire Police Authority (HPA) was replaced on 23 November 2012 with two 'corporations sole' bodies, the Police and Crime Commissioner for Hampshire (The PCC or Commissioner) and the Chief Constable of Hampshire Constabulary (the CC). It is the Government's intention that the reforms under the Act will be phased over a period of several years. These financial statements for 2012/13 are the first to show the financial positions of the Commissioner and the Group following the cessation of the HPA on 16 November 2012.

The transition has been accounted for in line with the CIPFA Code of Practice for Local Authority Accounting 2012/13 which advises that re-organisations of this nature are business combinations under common control and outside the scope of IFRS 3 *Business Combinations* and need to be accounted for using the principles that apply to group reorganisations and mergers. Following this approach the results have been brought into the financial statements of the new body, the Commissioner, from the beginning of the year that the transfer occurred. In effect the allocation of costs to the Commissioner is accounted for as taking place on 1 April 2011, as the comparator year, and the financial statements for the Commissioner and the Group covers the entire 12 months to 31 March 2013.

The assets and liabilities of the Police Authority transferred to the Commissioner as the successor authority and the Commissioner's accounts summarise what these were at the beginning of the year that the Commissioner succeeded the Authority.

The accounting recognition of assets, liabilities and reserves during the first period of transition reflects the powers and responsibilities of the Commissioner as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. This accounting treatment is also underpinned by the relationships as defined by local regulations, local agreement and practice. On 23 November 2012 the assets, liabilities and reserves of the HPA were transferred directly to the Commissioner and during this first phase of transition they remain under the Commissioner's control. Statutory and local arrangements determine that the Commissioner holds all the assets, liabilities and the reserves and is responsible for the police pension liability. All payments for the Group are made by the Commissioner from the police fund and all income and funding is received by the Commissioner. The Commissioner has the responsibility for managing the financial relationships with third parties and has legal responsibilities for discharging the contractual terms and conditions of suppliers.

The International Accounting Standards Board (IASB) Framework states that assets, liabilities and reserves should be recognised when it is probable that any 'future' benefit associated with the item will flow to, or from the entity. Based on the statutory responsibilities and local arrangements within which the Commissioner operates in conjunction with the IASB guidance, it has been deemed that all the assets, liabilities and reserves are recognised on the Commissioner's Balance Sheet and consequently there is a single Balance Sheet at 31 March 2013 and single Movement in Reserves Statement and Cash Flow Statement for the year representing both the Commissioner and the Group during this first phase of transition. In accounting terms, the Chief Constable is a wholly-owned and controlled subsidiary reporting to the Commissioner and forming part of the Group accounts

Notes to the core financial statements

(i.e. with the Commissioner's own accounting statements). The Chief Finance Officer to the Commissioner is responsible for making arrangements for the preparation of the consolidated group accounts.

The Chief Constable provides policing services with the consent of the Commissioner who provides a budget for the delivery of policing services, but who retains ultimate control and ownership of the assets and resources – including staffing - which provide these services. As explained in the Explanatory Foreword, the form of the relationship between the two entities is such that the Commissioner has the ultimate control over the resources, including the Chief Constable, and all funding goes to the Commissioner. This means that, on balance, transactions, benefits and liabilities sit within the accounts of the Commissioner and there are thus no transactions or balances within the Chief Constable's accounts. This is in accordance with the principles of *IAS18 Revenue Recognition*.

Notwithstanding the above, and in recognition of the fact that the Chief Constable does perform policing activities, these accounts include details of the Commissioner's financial resources which are consumed at the request of the Chief Constable in providing policing services. This statement is found at Note 3.

It should be noted that the accounting policies contained within these accounts are the same for the Commissioner and the Chief Constable. There has thus been no requirement to make any restatements in the group accounts, which would be required in the event of any differences to achieve uniformity.

Additionally, the reserves transferred from the Police Authority to the Commissioner under the statute have not been adjusted in any way as a result of accounting for the changes which took place on 22 November 2012 as a merger.

The 2012/13 Comprehensive Income and Expenditure Statements (CIES) for the Commissioner and the Group are also identical at 'summary level'. This is because the 'net cost of policing' sub-total within the Commissioner's CIES includes not only the cost of administering the Commissioner's office itself, but also payment for Commissioner resources consumed at the request of the Chief Constable. The decision to account for this expenditure within the Commissioner 'net cost of policing services' is in accordance with the Service Reporting Code of Practice (SeRCOP) definition of total cost of services. In contrast in the note identifying the Commissioner's resources consumed at the request of the Chief Constable, the net cost of policing is nil for 2012/13 as these costs are completely offset by the intra-group adjustment.

2 - Statement of Accounting Policies and Estimation Techniques

2.1 General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2012/13). This code is recognised by statute as representing proper accounting practices. Any significant non-compliance is explained in the following notes. The accounts have been compiled by applying the most appropriate policies and estimation techniques, taking into account the accounting concepts of qualitative characteristics of financial information (i.e. relevance, reliability, comparability and

Notes to the core financial statements

understandability), materiality and the pervasive accounting concepts (i.e. accruals, going concern and primacy of legislative requirements). All material income and expenditure including receipts, grants and employee costs have been accrued to the financial year to which they relate.

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.

2.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Commissioner 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 Commissioner.
- Revenue from the provision of services is recognised when the Commissioner can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Commissioner.
- 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.

Amounts below £1,000 are not routinely accrued at year end even if they meet the other conditions. This is due to the fact that they are not material in the scale of the Commissioner's overall income and expenditure. Where items of income or expenditure fall below this amount they may still be accrued in certain circumstances such as where they are subject to specific terms and conditions relating to a grant or where there is an element of cost recovery. Items of a similar nature which are individually below this £1,000 threshold may be aggregated if they could be said to have a similar material effect upon the reporting of a particular income, or expenditure head or cost centre.

Where items for which an accrual might be justified in ordinary circumstances, but where these are ongoing and are regular, such as quarterly or monthly payments for utilities, the Commissioner takes a pragmatic approach and ensures that four quarters or twelve months

Notes to the core financial statements

are recorded in any one year where such payments or receipts are of relatively consistent amounts.

Debtors and creditors are recorded in the Balance Sheet at their fair value, which in both categories of financial instrument is the actual invoiced amount. No estimation techniques are used.

2.3 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 and do not give rise to a prior period adjustment.

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 events and conditions on the Commissioner'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.

2.4 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 fixed 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 fixed assets attributable to the service.

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

2.5 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;

Notes to the core financial statements

- 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.

2.5 Service Expenditure Analysis

The CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP) specifies the headings to present the statutory income and expenditure accounts and defines those headings. The requirement for 2012/13 is to present the information in accordance with the Police Objective Analysis which analyses the gross expenditure and gross income under nine headings which represent the main activities of the police service.

2.6 Central Support

The costs of support services are apportioned over all recipient services on a relevant basis e.g. premises costs based on floor areas, personnel support costs based on staff numbers and finance support costs based on budget.

2.7 VAT

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

2.8 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and flexitime for current employees and are recognised as an expense for services in the year in which employees render service to the Commissioner. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Notes to the core financial statements

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Commissioner 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. Full disclosures of these benefits are contained in the Commissioner's Statement of Accounts.

Post-employment benefits

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

The Commissioner participates in three post-employment schemes:

- The Local Government Pension Scheme (LGPS) for police staff, administered by Hampshire County Council. This is a funded defined benefit final salary scheme;
- Arrangements for the award of discretionary post retirement benefits upon early retirement in respect of members of the LGPS;
- The Police Pension Schemes for police officers. These are unfunded defined benefit final salary schemes

Pension costs included in the income and expenditure account and balance sheet have been determined in accordance with IAS19 Employee Benefits as required by the Code of Practice. The main impact of IAS19 is to include within the net cost of services the cost of actual retirement benefits earned in the financial year, as opposed to the amount paid. For the purpose of showing the impact on the General Fund, the value of benefits earned is replaced by the value of contributions in the Movement in Reserves Statement. The net liability is shown in the balance sheet. Full disclosures of these benefits are contained in the Commissioner's Statement of Accounts.

Police Pension Scheme (for Police Officers only)

There are currently two police pension schemes in operation, known as the Police Pension Scheme (PPS) and the New Police Pension Scheme (NPPS) which offer different terms and benefits. Both are unfunded schemes. The Commissioner and officers make contributions to the pensions account based on pensionable pay. This amount is included within employees' costs. Pensions and lump sums are paid out of the pensions account. The difference between pension account incomings and outgoings each year is paid to or from the Home Office. The Commissioner is responsible for the costs of injury pensions. Ill-health pension costs are met by a capital equivalent transfer from the Income and Expenditure Account to the Police Pension Fund Account when the officer retires.

Notes to the core financial statements

Local Government Pension Scheme

Police staff are eligible to join the Local Government Pension Scheme administered by Hampshire County Council. This is a funded scheme. In 2011/12 the Commissioner paid an employer's contribution representing 13.1% of pensionable pay in addition to a 6% overall contribution based on the payroll costs at 31 March 2010. The contribution rate is determined by the Fund's actuary based on valuations every three years. The rate for 2012/13 will be on the same basis.

Additional contributions are payable to cover the cost of any early retirements except those due to ill-health. In addition the Commissioner is responsible for all pension payments relating to any added years' benefits, together with the related increases.

The values for each scheme are shown separately in the notes. Assets are measured at fair value which is assessed on the basis of bid price. Liabilities are measured using the projected unit method. Liabilities are discounted at appropriate rates.

Full disclosures of these benefits are contained in the Commissioner's Statement of Accounts.

2.9 Rounding convention

Amounts reported in the financial statements may be rounded as appropriate. As most figures are reported in £'000's, figures will be rounded to the nearest £1,000. Where figures are shown in £'s, they will be rounded to the nearest £1. In some instances, the 'totals' in the tables which are presented are the rounded additions of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. This will only give minor differences and the overall total is more accurate in such instances.

2.10 Other accounting policies

As the Police and Crime Commissioner is deemed to hold the Police Fund and he has retained all of the assets and liabilities transferred from the Police Authority, the Chief Constable's accounts are not as comprehensive as the former's. Consequently, the above is a selection of the policies which are pertinent to an understanding of the basis for preparing the accounts of the Chief Constable and the memorandum cost statement (See note 3). The Chief Constable has the same accounting policies as the Police and Crime Commissioner. More details can be found in the latter's accounting statements at www.hampshire-pcc.gov.uk

3 – Police and Crime Commissioner Financial Resources Consumed at the Request of the Chief Constable

The Chief Constable consumes a significant proportion of the financial resources of the Police and Crime Commissioner upon request to the Commissioner who provides the budget for policing services. In practice, as all assets and employees are deemed to be within the accounts of the Commissioner, all of the respective costs are paid by the Commissioner and the operating cost statement includes an intra-group adjustment, resulting in a nil balance for the net cost of policing services.

Notes to the core financial statements

A statement of the costs of policing services performed by the Chief Constable and the intra-group adjustment is below:-

| Year Ending 31 March 2012 £'000 | | Year Ending 31 March 2013 £'000 |
|---------------------------------------|--|---------------------------------------|
| 148,279 | Local policing | 152,041 |
| 30,149 | Dealing with the public | 27,866 |
| 28,072 | Criminal justice arrangements | 28,435 |
| 18,153 | Roads policing | 14,855 |
| 19,861 | Specialist operations | 17,570 |
| 18,750 | Intelligence | 11,013 |
| 58,747 | Investigation | 61,731 |
| 13,744 | Investigative support | 11,915 |
| 19,791 | National policing | 21,909 |
| 355,546 | Financial resources consumed | 347,335 |
| 330 | Corporate costs | 272 |
| 29,143 | Non distributed costs | 8,155 |
| 385,019 | Total financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable | 355,762 |
| (385,019) | Intra-group adjustment | (355,762) |
| 0 | Net Cost of Policing Services | 0 |

The table above shows the accounting cost in the year to the Commissioner of financial resources consumed at the request of the Chief Constable in providing policing services. The figures shown are in accordance with generally accepted accounting principles and so differ from the Chief Constable's delegated budget which does not include transactions which are not chargeable against the precept (e.g. depreciation and IAS19 pensions accounting adjustments).

Notes to the core financial statements

4 - Service Reporting Code of Practice (SeRCOP) Income and Expenditure Statement re-presented on a subjective basis

This statement restates the table in Note 3 in accordance with the CIPFA Standard Form of accounting on a subjective basis.

| 2011/12 | | 2012/13 |
|----------------|---------------------------------------|----------------|
| £'000 | Gross Expenditure | £'000 |
| 315,808 | Employees (including police pensions) | 284,905 |
| 10,836 | Premises | 11,400 |
| 4,866 | Transport | 4,861 |
| 3,429 | Travel and Subsistence | 3,595 |
| 4,939 | IT and Communications | 4,585 |
| 31,041 | Supplies and Services | 32,147 |
| 1,126 | Grants | 369 |
| 12,974 | Depreciation and Impairment | 13,900 |
| 385,019 | Gross cost of services | 355,762 |
| (385,019) | Intra group adjustment | (355,762) |
| 0 | Net Cost of Services | 0 |

Notes to the core financial statements

5 – Officer and Staff Remuneration

All Remuneration over £50,000 in bandings of £5,000

| Remuneration Band | 2011/12 | 2012/13 |
|---------------------|---------------------|---------------------|
| | Number of employees | Number of employees |
| £50,000 - £54,999 | 157 | 189 |
| £55,000 - £59,999 | 123 | 123 |
| £60,000 - £64,999 | 71 | 61 |
| £65,000 - £69,999 | 11 | 19 |
| £70,000 - £74,999 | 3 | 3 |
| £75,000 - £79,999 | 7 | 5 |
| £80,000 - £84,999 | 9 | 7 |
| £85,000 - £89,999 | 9 | 7 |
| £90,000 - £94,999 | 7 | 1 |
| £95,000 - £99,999 | 3 | 6 |
| £100,000 - £104,999 | 1 | 0 |
| £105,000 - £109,999 | 1 | 1 |
| £110,000 - £114,999 | 0 | 1 |
| £115,000 - £119,999 | 1 | 0 |
| £120,000 - £124,999 | 1 | 2 |
| £125,000 - £129,999 | 1 | 0 |
| £130,000 - £134,999 | 0 | 0 |
| £135,000 - £139,999 | 1 | 0 |
| £140,000 - £144,999 | 0 | 0 |
| £145,000 - £149,999 | 0 | 0 |
| £150,000 - £154,999 | 0 | 2 |
| £155,000 - £159,999 | 0 | 0 |
| £160,000 - £164,999 | 1 | 1 |
| Totals | 407 | 428 |

The Accounts and Audit Regulations 2011 require the Chief Constable to report on the number of employees who received remuneration totalling more than £50,000 in the year, grouped in £5,000 bands.

Employee costs - i.e. total remuneration - include salary and taxable allowances paid to officers and staff. It does not include employer pension contributions, nor does it show remuneration net of employees' pension contributions. Where appropriate, compensation for loss of employment is also included.

The 2011 regulations define senior police officers for these purposes as being those with the rank of Chief Superintendent or above. However, the Chief Constable has opted to include all staff whose total remuneration falls into the bandings, regardless of their rank. This is consistent with the information given in previous years. Additionally, whilst relevant police officers and senior police staff are subject to a separate disclosure, the numbers in the table above include these individuals. The numbers also include people seconded to national roles whose costs are reimbursed.

Notes to the core financial statements

Remuneration for relevant police officers and senior employees

The Accounts and Audit Regulations 2011 consolidated regulations for the disclosure of the total remuneration package of those charged with the stewardship of the organisation, being senior employees or relevant police officers of the Chief Constable. In Hampshire, the relevant police officer is the Chief Constable, who should be identified by name as well as post, regardless of his salary. However, the definition of senior employees for non-police officers is wider and covers those responsible for the strategic management of the organisation. Given the nature of the services provided by the Commissioner and the make up of its strategic leadership team, the disclosure below includes all chief officers. Only relevant police officers (regardless of salary) and senior employees with a salary greater than £150,000 are named.

The table below provides the relevant disclosure for 2012/13 and comparative information for 2011/12 is provided in the second table. Where there have been changes in personnel during the current and prior year the part year remuneration is shown on an individual basis over more than one line. This will mean that certain posts are not comparable. The tables show those included in the memorandum cost statement for the Chief Constable (see note 3), although in practice all officers and staff are paid by the Commissioner.

Notes to the core financial statements

**2012/13 Disclosure
Post holder information**

| | £ | £ | £ | £ | £ | £ | £ | £ | £ | Note |
|--|-----------------------------|---------------|--------------------|-------------------------------------|------------------|---------------------------------------|---|----------------------------------|---|--------------|
| | Salary, fees and allowances | Bonuses | Expenses Allowance | Compensation for loss of employment | Benefits in Kind | Other payments (Police officers only) | Total Remuneration excluding pensions contributions | Employer's Pension contributions | Total Remuneration including pensions contributions | |
| Constabulary | | | | | | | | | | |
| Chief Constable - Mr Andy Marsh (04/02/13 to 31/3/13) | 22,444 | - | - | - | 277 | - | 22,721 | 8,159 | 30,880 | |
| Chief Constable - Mr Alex Marshall (01/04/12 to 03/02/13) | 161,475 | - | - | - | - | - | 161,475 | - | 161,475 | |
| Acting Deputy Chief Constable (04/02/12 to 31/3/13) | 17,041 | - | - | - | 1,091 | - | 18,132 | 3,930 | 22,062 | |
| Deputy Chief Constable (01/04/12 to 03/02/13) | 109,940 | 13,997 | - | - | 1,528 | - | 125,465 | 25,662 | 151,127 | |
| Acting Assistant Chief Constable - Crime and Criminal Justice (04/02/13 to 31/03/13) | 15,779 | - | - | - | - | - | 15,779 | 3,633 | 19,412 | |
| Assistant Chief Constable - Crime and Criminal Justice (03/09/12 to 03/02/13) | 46,864 | 2,449 | - | - | 2,981 | - | 52,294 | 10,808 | 63,102 | |
| Assistant Chief Constable - Crime and Criminal Justice (01/04/12 to 02/09/12) | 49,051 | - | - | - | 1,920 | - | 50,971 | 10,878 | 61,849 | |
| Assistant Chief Constable - Territorial Operations (03/09/12 to 31/03/13) | 66,456 | - | - | - | 2,602 | - | 69,058 | 14,738 | 83,796 | |
| Assistant Chief Constable - Territorial Operations (01/04/12 to 02/09/12) | 47,168 | 2,812 | - | - | 3,039 | - | 53,019 | 10,878 | 63,897 | |
| Head of Finance (22/11/12 to 31/3/13) | 25,576 | - | - | - | 612 | - | 26,188 | 3,350 | 29,538 | |
| Director of Finance and Resources (01/04 - 21/11/12) | 64,670 | - | 1,536 | 109,237 | 2,986 | - | 178,429 | 8,470 | 186,899 | |
| Head of Human Resources | 92,754 | - | - | - | 1,441 | - | 94,195 | 11,947 | 106,142 | |
| | 719,217 | 19,258 | 1,536 | 109,237 | 18,477 | 0 | 867,726 | 112,453 | 980,179 | ¹ |

Note 1: The individual figures and total figures shown in this table are rounded to the nearest £. Thus, the total shown may not be the sum of the rounded entries which make up the total.

Notes to the core financial statements

2011/12 Disclosure

Post holder information

| | Salary, fees and allowances £ | Bonuses £ | Expenses Allowance £ | Compensation for loss of employment £ | Benefits in Kind £ | Other payments (Police officers only) £ | Total Remuneration excluding pensions contributions £ | Employer's Pension contributions £ | Total Remuneration including pensions contributions £ | Note |
|--|----------------------------------|--------------|-------------------------|--|-----------------------|---|--|--|--|----------|
| Constabulary | | | | | | | | | | |
| Chief Constable - Mr Alex Marshall | 165,921 | - | - | - | - | - | 165,921 | - | 165,921 | 1 |
| Deputy Chief Constable | 130,950 | - | 1,490 | - | 5,134 | - | 137,574 | 30,794 | 168,368 | |
| Assistant Chief Constable - Crime and Criminal Justice | 116,781 | - | 2,480 | - | 3,998 | - | 123,259 | 25,615 | 148,874 | |
| Assistant Chief Constable - Territorial Operations | 110,452 | - | 1,367 | - | 5,789 | - | 117,608 | 25,433 | 143,041 | |
| Assistant Chief Constable - HR and Operations | 39,674 | - | 345 | - | 1,669 | - | 41,688 | 8,388 | 50,076 | 2 |
| Director of Finance and Resources | 100,935 | - | 1,419 | - | 2,547 | - | 104,901 | 13,203 | 118,104 | 3 |
| Head of Human Resources | 58,868 | - | - | - | 719 | - | 59,587 | 7,604 | 67,191 | 2,3 |
| | 723,581 | - | 7,101 | - | 19,856 | - | 750,538 | 111,037 | 861,575 | 4 |

Note 1: The Chief Constable was eligible for a bonus, but this was declined and a donation was made at his request by Hampshire Constabulary of £5,000 to the Hampshire Constabulary Welfare Fund

Note 2: The Assistant Chief Constable HR and Operations was on secondment from 1st August 2011. His costs from that date were refunded in full to the Force. The table above shows his costs until 1st August 2011. The Head of HR took over a number of the responsibilities from 1st August 2011. Her costs are shown from 1st August 2011 to 31st March 2012.

Note 3: The pension rate for staff changes from 19.1% of pensionable pay in 2010/11 to 13.1% in 2011/12. An additional lump sum was payable to the LGPS in respect of all relevant employees. This represented approximately an additional 6% on top of contributions per individual employee.

Note 4: The individual figures and total figures shown in this table are rounded to the nearest £. Thus, the total shown may not be the sum of the rounded entries which make up the total.

Notes to the core financial statements

6 – Audit costs

The following costs have been incurred in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Chief Constable's external auditors:-

| 2011/12 £'000 | | 2012/13 £'000 |
|--------------------------------|--|--------------------------------|
| | Chief Constable: | |
| 0.0 | Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year | 25.0 |
| 0.0 | | 25.0 |

Glossary

Agency Services

Services which are performed by or for another Commissioner or public body where the agent is reimbursed for the cost of work done.

Capital Adjustment Account

A Balance Sheet reserve which reflects the net surplus of resources set aside to finance capital expenditure and the depreciation, impairment and write-off of the historical cost of fixed assets.

Capital Expenditure

Expenditure on the provision and improvement of assets such as property, plant and equipment and vehicles and major items of equipment providing benefit to the Commissioner over a life of more than one year.

Capital Receipts

Money obtained on the sale of a capital asset. Capital receipts can be used to finance new capital expenditure or to repay loan debt within rules set down by the government, but they cannot be used to finance revenue expenditure.

Collection Fund Adjustment Account

A Balance Sheet account which records the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund. The Commissioner includes a proportionate share of Council Tax debtors and creditors due to the billing authority, which is deemed to be acting as an agent of the major preceptors, including the Police and Crime Commissioner.

Credit Arrangements

An arrangement other than borrowing where the use of a capital asset is obtained and paid for over a period of more than one year. The main types of credit arrangements are leases of property, plant and equipment.

Creditors

Individuals or organisations to whom the Commissioner owes money at the end of the financial year for work done, goods received or services rendered but for which payment has not been made at 31 March.

Debtors

Individuals or organisations who owe the Commissioner money at the end of the financial year.

Depreciation

Depreciation represents the consumption of an asset due to deterioration. The value is included within the income and expenditure account as a cost of providing services but as there is no cashflow impact on the general reserve, it is taken out in the movement in reserves statement.

Financial Instruments Adjustment Account

A Balance Sheet account which records the adjustments made to the value of assets and liabilities as a result of showing these at fair value or amortised cost on initial recognition and

Glossary

the subsequent accounting entries required to write the value of these assets and liabilities back up to the actual sum due or payable at the end of its expected life.

Financial Year

The annual period of accounting – i.e. 1 April to 31 March.

Fixed Assets

Assets of significant value that yield benefits to the Commissioner for a period of more than one year.

Government Grants

Part of the cost of the service is paid for by central government. General grants can be spent at the discretion of the Commissioner. Specific grants (included within additional grants) are also paid to the Commissioner, but are ring-fenced for spending in specific areas.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards were introduced in 2010/11 and were generally deemed to be retrospective, rather than prospective. In accordance with IFRS 1, a transition date of 1 April 2009 was approved in the Code of Accounting Practice. All accounts and comparators were restated to this date.

Minimum Revenue Provision (MRP)

An amount required by statute to be charged to the movement in reserves. It ensures that authorities put aside funds for the repayment of loans.

Precept

The levying of a council tax rate by one authority which is collected by another. The Commissioner precepts upon the district/unitary councils' collection funds for its council tax income.

Revaluation Reserve

A Balance Sheet reserve which records the accumulated gains on assets held by the Commissioner arising from increases in value, netted off for disposals and certain depreciation adjustments.

Revenue Contributions to Capital Outlay (RCCO)

Amounts paid from revenue funds (charged to the Income and Expenditure Account) to purchase capital assets.

Revenue Expenditure

Expenditure to meet the day to day running costs of services including wages and salaries, purchase of materials and services and capital financing charges. This is shown in the Income and Expenditure account.

Reserves

Accumulated sums which are maintained either to be earmarked for specific liabilities (e.g. pensions, insurance) or generally held to meet unforeseen or emergency expenditure (e.g. General Reserve).