Hampshire Police and Crime Commissioner

Statement of Accounts 2013/14

Contents

Introduction

The Statement of Accounts sets out the overall financial position of the Police and Crime Commissioner for Hampshire and the group accounts for the year ending 31 March 2014. 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 2013/14. This foreword provides a brief explanation and overview of the financial performance and activities during 2013/14.

The Police and Crime Commissioner

The core functions of the Commissioner for Hampshire and the Isle of Wight 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
- 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 Commissioner has also established a joint audit committee with the Chief Constable. Its purpose is to provide independent assurance on the adequacy of the corporate governance and risk management arrangements in place and the associated control environment, advising according to good governance principles and proper practices. More specifically, this includes the following terms of reference:-

- To support the PCC, Chief Constable and statutory officers in ensuring that effective governance arrangements are in place and functioning efficiently and effectively;
- To monitor the effective development and operation of risk management;
- to scrutinise the draft statement of accounts and annual governance statements and consider whether appropriate accounting policies have been followed;
- To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over corporate governance arrangements;
- to make recommendations for any improvements to the arrangements and policies in place in relation to "Raising concerns at work", anti fraud and corruption strategies and complaints processes, in light of its experience.

The Police and Crime Plan, published in March 2013, sets out the Commissioner's vision and priorities for policing and community safety across Hampshire and the Isle of Wight and is available in summary of full version on his 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 and his priorities are to:-

- improve frontline policing to deter criminals and keep communities safe;
- place victims and witnesses at the heart of policing and the wider criminal justice system;
- work together to reduce crime and anti-social behaviour in the community;
- to reduce re-offending.

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. 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

Statement of Accounts

The Police Reform and Social Responsibility Act 2011 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 on 16 January 2012 and is available on the following link: Financial Management Code of Practice

The Police Reform and Social Responsibility Act 2011 outlined a two-staged approach to the establishment of the Police and Crime Commissioner and the 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 one, all of the assets and liabilities of the Police Authority were transferred to the Commissioner. Proposals for a stage two transfer identifying what assets and liabilities would transfer from the Commissioner was agreed by the Home Secretary and was formally made on 1 May 2014. This had the effect in the case of Hampshire of providing legal form to the relationship between the two parties - the financial effects of which are now embodied in these accounts – rather than entailing any material change to the substance of the relationship between the Commissioner and the Chief Constable.

The Police and Crime Commissioner's and the Group Statements of Accounts for 2013/14 consist of the:

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 held by the Commissioner, 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 Commissioner's 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.

Significant changes in accounting policies

The Chief Constable is now accounted for as a principal rather than as an agent of the Commissioner. Following the demise of the Hampshire Police Authority in November 2012, and the election of the Police and Crime Commissioner, the transition had been accounted for in line with the CIPFA Code of Practice for Local Authority Accounting 2012/13 which advised that re-organisations of this nature are business combinations under common control and outside the scope of IFRS 3 *Business Combinations* and needed to be accounted for using the principles that apply to group reorganisations and mergers. However, the Chief Constable was determined, effectively, to be an agent of the Commissioner and wholly-owned and controlled subsidiary, which in accounting terms meant that no entries were required in his primary accounting statements. Thus, all assets, liabilities and reserves were recognised on the Commissioner’s Balance Sheet.

With further guidance being available from CIPFA and the Audit Commission over the last year, together with more experience of working under the new governance arrangements in the police service it has now been determined that the policy for accounting for the Chief Constable will be amended so that the Chief Constable is shown as a principal in his own right and not an agent of the Police and Crime Commissioner. The accounts of the Group and the Commissioner, presented herein, have been prepared on that basis and - as a change in accounting policy which has a material impact on the accounts - the comparator figures for 2012/13 have also been changed.

In addition to the above, there have been several significant changes in relation to IAS 19 (Employee Benefits). A revised IAS19 (IAS19R) has been introduced, which applies to accounting periods beginning on or after 1 January 2013. Whilst these accounts are covered by this change in accounting standard and it represents a change in accounting policy, consideration has been given to restating the comparators for 2012/13. However, the impact is not material and there has been no change to the net liability on the Group Balance Sheet. As a result, whilst the disclosures in the notes have been restated, the CIES and cash flow statement have not been restated. See note 8 for more explanation.

Underlying accounting principles

Four underlying principles have been employed in order to prepare the accounts so that they demonstrate:

a) Understandability

The accounts are based on accounting concepts, treatments and terminology that assume that a reader has:

- A reasonable knowledge of the business of Local Authorities and the ways in which services are provided;
- A reasonable knowledge of accounting; and
- A willingness to study the information required with reasonable diligence.

However, every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary of terms.

b) Relevance

The accounts provide information about the Commissioner's, the Chief Constable's and the Group's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions. Information is presented so that it will assist readers to understand the Group's current financial position or to make predictions about its financial trends.

The relevance of information contained in the accounts is affected by its nature and materiality (whether its misstatement or omission might reasonably be expected to influence assessments of the Group's stewardship, economic decisions or comparisons with other organisations based on financial statements) and therefore a judgement has been made about the levels of materiality to ensure that relevant issues are disclosed.

c) Reliability

The financial information within the accounts has been prepared so that it:

- Can be depended upon to represent faithfully what it either purports to represent or could reasonably be expected to represent and therefore reflects the substance of the transactions and other events that have taken place;
- Is free from bias (i.e. it is neutral);
- Is free from material error;
- Is complete within the bounds of materiality and cost; and
- Under conditions of uncertainty, it has been prudently prepared (i.e. a degree of caution has been applied in exercising judgement and making the necessary estimates).

d) Comparability

Comparability (i.e. the ability to compare the Group's performance between financial years and with other organisations), is an important mechanism for ensuring the usefulness of financial information (and is an essential of the best value accounting framework).

The application of the terms, accounting policies and requirements of the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in England (2013) Statement of Recommended Practice and the Service Reporting Code of Practice is the way in which the Commissioner has ensured consistency of financial information in the financial statements leading to comparability.

Review of the year

Operational Performance

Hampshire Constabulary achieved a seventh consecutive annual reduction in overall crime across Hampshire and the Isle of Wight. Between April 2013 and March 2014 there were 103,535 offences, a drop of 4,914 offences or 4.5% compared with the previous year. In addition to less crime we have seen solved crime rates increase from 31.08% to 32.32%. A further breakdown of the crime statistics in some of the key areas is below:

	2012/13 (final) No.	2013/14 (provisional) No.	Increase/ (Reduction) %
House Burglaries	3,835	3,879	1.1
Violent Crime	11,228	10,319	(8.1)
Criminal Damage	18,492	16,772	(9.3)
Robberies	739	632	(14.5)
Vehicle Crime	7,586	7,638	0.7

Financial Overview (including economic climate)

In February 2013, the Commissioner approved funding for a net revenue budget for 2013/14 of £310.350m, which represented an increase in net budget compared to 2012/13 of £4.738m or 1.55%. This increase was partly attributable to a 3.4% precept increase, 3% of which was needed as a result of the one-off council tax freeze grants for 2012/13 dropping out of central government funding, and partly to an additional council tax benefit grant of £10.391m which was given to reduce the expected losses to the council tax base resulting from changes to the council tax benefit system.

The Commissioner and Chief Constable have an objective of ensuring that, by 2015, Hampshire Constabulary would be a top quartile, low cost, high achieving constabulary and one of the best for value for money in the country. Both the Police and Crime Commissioner and the Constabulary have been taking steps to prepare themselves to meet the challenges posed by cuts in the policing budget over a number of years. The Constabulary has been able to make significant improvements in performance against a back drop of central government spending cuts and tough economic conditions. As a consequence of the austerity measures announced by the new coalition government in December 2010, a target of saving £55m over the four years from 2011/12 to 2014/15 had been set in order to balance the budget.

As a result of these austerity measures, both the external auditors and Her Majesty's Inspector of Constabularies (HMIC) have been keen to ensure that the Commissioner has robust and deliverable plans to achieve the required budget reductions whilst delivering value for money services and maintaining service levels to the public. The external auditor concluded, in the audit opinion of the 2012/13 statement of accounts, that "the ..Commissioner… has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources". The HMIC reported on "Hampshire Constabulary's response to the funding challenge" (July 2013). In this, the HMIC identified that the constabulary had identified £49.6m of savings, with a further £4.5m to find. The HMIC noted that, being "already an efficient and low cost force", this was a particular challenge to Hampshire but they concluded that "Hampshire Constabulary has made very good progress in meeting its financial challenge", that "the force has developed a detailed change programme which will allow it to reduce costs while continuing to fight crime" and that "Hampshire's response to the funding challenge to date is strong". The HMIC noted that recorded crime (excluding fraud) was falling faster than the average over the rest of England and Wales over the first two years of the spending review (i.e. 18% compared to 13%). They also noted that the force was demonstrating that it was successfully protecting frontline posts whilst delivering these savings.

Notwithstanding the positive comments made by the HMIC and the external auditor, the challenge remains. A second round of savings targets was announced in June 2013, the impact on the Commissioner's budget being a further reduction in central government funding of £25m in the period to 2016/17, with further savings likely beyond that date to 2020. Plans are in development to achieve the remainder of the known savings requirement. To facilitate this, the Commissioner agreed to allow the Chief Constable to engage consultants to assist with a review of operational policing that will combine with other ongoing programmes of work including the Estate Development Programme, Joint Working (with Hampshire County Council and Hampshire Fire and Rescue Authority) and Collaboration Programme to deliver savings in 2015/16 and 2016/17 to meet the funding gaps.

During 2013/14, the Bank of England maintained the base rate of interest at 0.5%, which has been held since March 2009. This benefits the Commissioner in that he is able to borrow to finance the capital programme at very low rates. However, the downside – allied to the Bank of England's quantitative easing programme which injected significant amounts of cash into the financial markets – means that the returns on interest received on surplus cash balances, which are credited to the income and expenditure account, and which helps to reduce the burden on the council tax payer, are historically low. With the continued climb out of recession and improving economic growth forecasts, coupled with reducing unemployment and low inflation, expectations for changes to the base rate were beginning to suggest that this would be sooner rather than later.

Borrowing

The Prudential Code allows the Commissioner to borrow money as long as it is prudent, affordable and sustainable. In accordance with its borrowing strategy for 2012/13 the Commissioner did not take out any new loans and financed capital expenditure incurred during the year through a use of capital grant, capital receipts, earmarked reserves and internal borrowing through the use of cash balances. Some of the existing borrowing at the start of the financial year was repaid using resources set aside for such purposes.

As a result, at the year end the Commissioner had a total of £37.164m PWLB loans at actual interest rates ranging between 2.19% and 8.5% and a weighted average overall rate of 4.004%. The total outstanding long-term debt stood at £37.164m at the Balance Sheet date, of which £1.214m of principal is repayable in 2014/15 and is classified as a current liability in the accounts.

Investment

The Commissioner has an investment portfolio consisting of reserves and short-term cash flows (including on-call cash investments). We continue to invest according to a low risk, high quality lending list as outlined in the Investment Strategy for 2013/14. Cash balances reached an average of £75.5m during the year and this generated interest of £0.596m, which was slightly down from the £0.69m achieved in 11/12, reflecting a reduced yield from 0.97% to 0.8%. At 31 March 2014 the investment holding stood at £69.8m.

Pensions

The Commissioner's net pension liability has increased by £33.25m from £2,617.9m at 31 March 2013 to £2,651.1m at 31 March 2014. The Commissioner's assessed share of the value of the plan assets of the Local Government Superannuation scheme showed a reduction of £6.53m while the assessed present value of the Commissioner’s liabilities on all pension schemes increased by £26.72m. The net liability takes account of a net gain of £4.96m on the settlement costs of staff transferred to Hampshire County Council on 1 February 2014.

The large negative IAS19 pension reserve is mainly due to the police pension scheme being an unfunded scheme i.e. with no fund assets to offset future liabilities when existing police officers have all retired. The statutory arrangements for funding the liability mean that the Commissioner's financial position remains sound.

Reserves

The requirement for reserves is covered in sections 32 and 43 of the Local Government Finance Act 1992, which require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Earmarked reserves remain legally part of the general fund but are accounted for separately.

As of 31 March 2014 the general reserve stood at £15.966m before any additional transfers to earmarked reserves are approved by the Commissioner. This general reserve balance represents an increase of £1.60m when compared to 31 March 2013. Whilst this represents a relatively modest increase, contributions to and from other earmarked reserves were made during the year and the level of these earmarked reserves had increased by £10.674m by the end of March 2014.

The Transformation Reserve is providing funding for the cost of changing the Force structures, systems and processes to ensure high quality service delivery and performance with reduced budgets. However budget pressures and the timing of the delivery of the required savings cannot always be predicted with accuracy. In the light of this, a new Risk Reserve was set up during 2012/13 as a contingency to support the base budget and the Transformation Reserve for temporary shortfalls. The balance on this reserve remained at £6.689m at the end of the financial year as the Commissioner continued to deliver efficiencies and to underspend on the revenue budget. The balance on the Transformation Reserve stood at £24.954m at 31 March 2014 (£21.037m at 31 March 2013). Total usable reserves were £74.49m at 31 March 2014 (£61.91m at 31 March 2013).

The Commissioning Reserve (formerly known as the Protecting People and Places Reserve) is held to provide grant funding to third parties who undertake activities and projects which support the priorities in the Police and Crime Plan. This reserve was established in 2013/14, following a one-off contribution of £2.001m to the OPCC’s budget, and is a large part of the funding available to support the objectives of the PCC’s Commissioning Plan 2013/17: other elements of the funding are the Community Safety Fund and the Victims Support Services Grant. At the end of the financial year, the unspent balance was transferred to the new Commissioning Reserve which stood at £1.976m at 31 March 2014 (£nil at 31 March 2013)

The medium-term financial strategy approved by the Commissioner as part of the 2014/15 budget setting process shows how these reserves will be used to support the change programme and to fund revenue budget shortfalls as efficiencies are delivered over the medium-term. However, it is important to note that of these usable reserves, £11.050m belongs to the ACPO Criminal Records Office and associated activities, partly as a surety

(£4.394m) but mainly to support its ongoing activity (£6.656m) and £1.653m is in respect of income from driver training which is earmarked for a camera digitalisation programme.

The notes to the accounts provide further details of the year end balances and the purpose of each reserve.

Material Assets Acquired or Liabilities Incurred

There were no material assets acquired or liabilities incurred during the year.

Unusual Charges or Credits within the accounts

On 1 February 2014 a number of staff transferred to Hampshire County Council (HCC) as part of the tri-partite joint working arrangement (with Hampshire Fire and Rescue Service). This joint working entity will provide a number of key services – such as HR, finance, procurement and occupational health and wellbeing - and will deliver economies of scale and efficiencies, as well as providing resilience across all three parties. All three partners have an equal stake in the new arrangements. However, the employment of all staff is transferring to HCC and the first phase of this was in February. The impact of this in accounting terms is that the associated post-employment benefit assets and liabilities (mainly pensions or IAS19 charges) transfer also. In these accounts, this transfer is recognised as a 'settlement' of an obligation and a credit of £4.96m is shown in the Non-Distributed Costs line of the Comprehensive Income and Expenditure Statement.

Significant Provisions or Contingencies

As a result of the adoption of International Financial Reporting Standards (IFRS), the Commissioner is required to accrue for any annual leave, flexitime and time off in lieu which had been earned but not taken at 31 March each year. The amount accrued at 31 March 2014 was £4.507m (£4.856m as at 31 March 2013).

A contingent liability of £33m is recorded in these accounts for the potential outcome of a challenge to the Government to backdate changes in commutation factors which may result in approximately 1,000 pensioners receiving additional lump sum payments. There is an associated contingent asset for the grant which would be due from the Home Office in the event that the Police Pension Fund has to make these additional payments. This case is outstanding and is unlikely to be settled in the coming financial year or any liability determined.

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 done in collaboration between the two forces across departmental and geographical boundaries.

In addition to the above ongoing arrangements, on 1 February 2014 the Commissioner and Chief Constable signed an accession agreement to enter formally into joint working with Hampshire County Council and Hampshire Fire and Rescue Service on a range of support services, including corporate finance, procurement and HR. Staff transferred on this date to the new joint working arrangements and systems, structures and processes have been reviewed to ensure that the objectives of these arrangements are delivered.

Comparison of accounts with the revenue outturn

The Comprehensive Income and Expenditure Statement is presented in a format that complies with the Code of Practice and shows the net cost of providing services in accordance with generally accepted accounting practices. These costs include charges for the Commissioner's pension scheme (in accordance with International Accounting Standard 19 – IAS19) as well as depreciation and losses on disposal or impairment of fixed assets, and other adjustments.

This is a different basis to the way the management accounts are produced. For the purpose of setting the council tax each year certain charges, such as depreciation of assets and the accrual of retirement benefits, should not be borne by the general fund. The management accounts which are reported to the Commissioner throughout the year exclude such charges and accounting adjustments and are used by the Commissioner in monitoring the budget, as well as informing him in setting the precept for the following year. The management accounts provide for the cost of financing capital expenditure, revenue contributions and actual in year employer's contributions to the pension fund instead of the charges for the pension scheme and depreciation.

As the accounts are prepared in accordance with the requirement of IAS 19 the cost of retirement benefits are recognised within the Comprehensive Income and Expenditure Statement and the liability relating to pensions schemes is included within the long term liabilities on the Balance Sheet. These liabilities totalled £2,651.2m at 31 March 2014 which has resulted in an overall negative balance of £2,471.2m. However finance is only required for the police pensions when the amounts are actually paid.

Revenue Expenditure

In 2013/14, the reported outturn position, subject to audit, was a spend of £302.7m against a net expenditure budget of £310.3m on policing services for the people of Hampshire and the

Isle of Wight. The Commissioner had budgeted for a net contribution from reserves of £4.3m at the beginning of the financial year in order to balance the budget. Instead, the Commissioner was able to make contributions to reserves that resulted in an increase to usable net reserves of £12.3m as shown in the Movement in Reserves Statement (£12.1m increase in 2012/13). This includes the general net underspend of £7.6m.

Summary Income and Expenditure

The subjective analysis table below shows that there was a deficit of £115.9m on the provision of services for 2013/14 in the statutory financial statements for the group as a whole (£118.0m deficit in 2012/13). This reflects the different basis on which the Statement of Accounts is prepared, as explained above. The difference from the net position reported in the summary compared to the figures reported to the Commissioner is due to a number of items which are not included in the management accounting reports. The principal differences between the statutory and the management accounts (i.e. the revenue budget) in 2013/14 are in respect of the deprecation and impairment of assets, the actuarially-assessed charges for police and staff pensions which are earned in the year, an adjustment in respect of capital grants received from the Government and the balances on the collection fund accounts held by the billing authorities.

The table below contains a subjective analysis of the income and expenditure incurred by the Commissioner and the Group in the format of the management accounting figures as prepared for scrutiny by the PCC and senior management in the Constabulary throughout the year and updated with the final outturn figures. The table reconciles these figures to show the Comprehensive Income and Expenditure Statement service expenditure analysis as presented in the Statement of Accounts – i.e. the financial accounts.

The subjective analysis shows net contributions to reserves of £3.036m. This is before adding the general underspend of £7.6m and a £3.2m transfer to reserves for holding account balances. The total net contributions to reserves of £13.8m is greater than the net increase in usable reserves of £12.5m shown in the Movement in Reserves Statement because the net increase in usable reserves is reduced by £2.2m which has been applied from the Capital (Revenue Contributions) Reserve to unusable reserves in order to finance capital expenditure. Additionally, £1.070m was added to the capital receipts reserve.

Subjective Analysis

	Revenue Budget 2013/14 Subjective Analysis			Income and Expenditure Account Analysis	
	Constabulary	PCC	Total	Reconciling items to the Financial Accounts	Total
	£000	£000	£000	£000	£000
Expenditure:					
Employees	255,529	896	256,425	25,663	282,088
Premises	10,959	222	11,181	1,728	12,909
Transport	4,883	0	4,883	74	4,957
Travel and subsistence	3,096	33	3,129	516	3,645
IT and communications	3,240	0	3,240	742	3,982
Supplies and services	42,173	541	42,714	2,299	45,013
Members Allowances	0	0	0	0	0
National levies	1,825	0	1,825	(1,825)	0
Grants paid	252	1,789	2,041	67	2,108
Capital financing (net)	3,397	0	3,397	(3,397)	0
Depreciation, amortisation and impairment	0	0	0	9,731	9,731
Pensions interest cost and expected return on pensions assets	0	0	0	110,840	110,840
Interest payments	0	0	0	1,553	1,553
Precepts and levies	0	0	0	1,825	1,825
Gain or loss on disposal of fixed assets	0	0	0	(126)	(126)
Total expenditure	325,354	3,481	328,835	149,690	478,525
Income:					
Service income	(23,241)	(1)	(23,242)	(15,441)	(38,683)
Additional specific grants	(4,107)	(124)	(4,231)	(2,246)	(6,477)
Interest and investment income	0	0	0	(631)	(631)
Income and council tax	0	0	0	(96,272)	(96,272)
Government grants and contributions	(215)	(1,459)	(1,674)	(218,915)	(220,589)
Total income	(27,563)	(1,584)	(29,147)	(333,505)	(362,652)
Contributions to/(from) reserves	1,384	1,652	3,036	(3,036)	0
Net expenditure/(income)	299,175	3,549	302,724	(186,851)	115,873

Capital Expenditure

Capital expenditure is incurred on the acquisition and enhancement of the Commissioner's assets which have a life of more than one year. The PCC approved a Capital Programme of £31.785m for 2013/14 in February 2013, which included indicative costs for the first phase of the Estates Development Programme (EDP). However, it was recognised that much of the EDP needed the development and approval of full business cases before resources could be committed.

The capital programme was updated and revised in June 2013 to reflect commitments carried forward, slippage from 2012/13 and the reductions in planned expenditure as a result of a revised strategic approach to the EDP (now called the Estates Change Programme or ECP). The revised capital programme was reduced significantly to £12.712m. Further approved changes during the year revised the programme budget to £13.305m.

Total spend against the revised programme was £7.692m, with an underspend of £5.613m due in the main to slippage on the ECP (£3.756m underspend), a reduction of IT hardware in year spend (£1.324m) and slippage into 2014/15 on the vehicle replacement programme (£0.607m). The actual expenditure was funded mainly from general and specific government capital grants (including Home Office Innovation Fund grant to fund joint working, mobile data and body worn video), capital receipts from the disposal of redundant beat houses and the aircraft as well as revenue contributions (including additional funding for the schemes part funded by the Innovation Fund).

With other sources of funding covering the reduced expenditure on assets in the year, there was no increase in the underlying need to borrow as at the end of the year and there was, instead, a reduction of £1.852m as a result of the statutory requirement to make a provision to fund the principal element of any borrowing or to repay debt. No new borrowing was taken out and internal resources were used to finance this underlying need, in accordance with the treasury management strategy. When internal resources are depleted or market conditions are more favourable, external borrowing may be taken out as appropriate.

A summary of expenditure against the approved capital programme, and the financing thereof, is set out below:

2012/13 £m		2013/14 £m
	Expenditure:	
4.3	Land & Buildings	0.8
3.2	Vehicles (Including Boats) and Plant	3.1
3.6	IT & Operational Equipment	3.7
11.1	**Total**	**7.6**
	Funded by:	
(3.1)	Government Grant	3.6
(0.8)	Capital Receipts	1.8
(2.9)	Revenue Contributions	2.2
(4.3)	Borrowing (incl. Internal)	0.0
(11.1)	**Total**	**7.6**

Future Prospects

Financial

The Police and Crime Commissioner approved a net revenue budget for 2014/15 of £307.691m, which represented a decrease in net budget compared to 2013/14 of £2.613m. Recognising that the PCC already has one of the lowest costs per head of population, that council tax freeze grants had either ceased or were coming to an end, and in light of further pending budget reductions announced by the government in June 2013, heralding cuts up to 2020, in addition to the normal inflationary pressures, the offer of a further one-off council tax freeze grant was rejected by the Commissioner, which was supported by a public consultation event. The DCLG imposed a cap of 2% on council tax increases and the Commissioner approved a 1.99% (£3.01) precept increase which increased the council tax rate for band D to £154.26.

The medium term spending forecast shows an estimated budget shortfall of £25.964m by 2017/18, even after the 1.99% council tax precept increase in 2013/14 and a 3% per annum increase thereafter. Given that increases had been capped at 2% in 2014/15, this would increase the shortfall and if there were to be a council tax freeze each year, this would increase the shortfall by £9.1m by 2017/18. Work is ongoing to identify further savings to meet the anticipated shortfall in resources.

Operational

There are significant changes in operational working in 2014/15 as the operational change programme delivers major changes to the structure of the force, how it works, who it works with and where it operates from. A major element of this is aligning the area structure with the 14 districts in the force and with the aim of making these coterminous with local authority boundaries to enable more effective partnership working. The estates change programme is being pursued alongside these changes with the aim of assisting the Commissioner to achieve the following:-

- Replace unneeded, costly to run and under-utilised properties with a more efficient, more cost effective portfolio by reinvesting capital generated from the release of these buildings into a core estate.
- More efficient use of the remaining estate by including smarter working initiatives.
- Partner with other emergency services and public sector authorities to reduce the overall costs of running the estate and support a more joined up approach to public service delivery across Hampshire and the Isle of Wight.
- Ensure all buildings operate efficiently and effectively supporting the new policing model being delivered through Hampshire Constabulary's Operational Change Programme (OCP).
- Deliver on his priorities in the Police and Crime Plan.

Additionally, the ECP will deliver the new estate strategy alongside the OCP and supporting the Commissioner's Police and Crime Plan priorities, the ECP will set out to:-

- Provide a fit-for-purpose estate that supports operational policing, creating space for teams to function together and work smarter in more efficient and effective workspaces.

- Provide 142 modern cells, reducing the cost of the custody estate and provide suitable facilities to support quicker processing and handling of detainees, so frontline officers can return to duty quicker.
- Reduce the amount of space occupied by up to 50% from about 123,000 to 60,000 sq.m.
- Reduce the total running costs of the estate by up to £3m per annum.
- Reduce the backlog maintenance from £5.8m to £0.
- Develop partnership sites across Hampshire and the Isle of Wight with county, unitary, district and borough authorities, creating both back and front office presence for policing services in all 14 public sector hubs in Hampshire and the Isle of Wight.
- Deliver strategic partnership with HFRS to enable the sharing of 10 sites and services across both partners, to create effective blue light centres in Hampshire.

In addition to change operationally and across the force estate, a step change in the provision of support services was made on 1 February 2014 when the Commissioner and the Chief Constable signed an agreement to enter into joint working with Hampshire County Council and Hampshire Fire and Rescue Service. Staff were transferred on this date to HCC and a new entity called 'H3' (under the umbrella of HCC but jointly governed by all three partners) will now provide a number of support services - including corporate finance, procurement and HR – to the Commissioner and the Chief Constable using new systems, processes and working from County Council premises. 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 was a two-stage reorganisation of local policing. The Commissioner was required to present to the Home Secretary a proposal for a stage two transfer of staff and responsibilities to the Chief Constable in the autumn of 2013. Formal approval for the Stage 2 transfer was given in March 2014 with an effective start date of 1 May 2014. At this date, all operational staff will transfer to the Chief Constable, with the principal exceptions being staff who work directly for the Commissioner and all personnel working on the Estate Change Programme. The Commissioner will retain ownership of the estate and all assets, albeit most of these will be managed by the Chief Constable on a day to day basis. There is a scheme of governance which will regulate the relationship between the Commissioner and the Chief Constable.

The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner 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 2013/14 give a true and fair view of the financial position of the Commissioner and the group at 31 March 2014 and its income and expenditure for the year then ended

Signed:

Date:

Approval of Accounts by the Police and Crime Commissioner

In accordance with the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts was approved by me on 24 September 2014

Signed:

Date:

Opinion on the Commissioner's and Pension Fund accounting statements

To be provided by Ernst and Young at the end of the audit of the accounts

A separate opinion will be required for the Commissioner (including the Group) and the CC.

1. SCOPE OF RESPONSIBILITIES

1.1 The Police and Crime Commissioner (the Commissioner) is responsible for ensuring 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 Commissioner 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 Commissioner is the recipient of all funding related to policing and crime reduction and all funding for the Constabulary must come through the Commissioner. The Commissioner is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. The Commissioner also has responsibility for maintaining an efficient and effective police force and holding the Chief constable to account for the Constabulary's performance.

1.2 The Commissioner 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 Commissioner 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 Commissioner is directed and controlled, exercises oversight and its activities through which it accounts to and engages with the public. It enables the Commissioner to monitor the achievement of his 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 be clear on the significant risks faced by the Office of the Police and Crime Commissioner and manage its own 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 Commissioner'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 for the year ended 31 March 2014 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 Commissioner has in place. In November 2012, as a result of the Police Reform and Social Responsibility Act 2011, the police authority was replaced by the Police and Crime Commissioner for Hampshire. It also created the Chief Constable as a separate legal entity. 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.

3.2 It has been established that the Police and Crime Commissioner and Chief Constable are those charged with governance, but they are assisted by advice received from the Joint Audit Committee. The Joint Audit Committee reviewed the Code of Corporate Governance, compliance with it and the review of effectiveness.

3.3 Regular one to one meetings are held between the Police and Crime Commissioner and Chief Constable. There is a monthly Office of the Police and Crime Commissioner (OPCC) Leadership meeting involving the Commissioner, Chief Executive and CFO for the Commissioner, which considers strategic issues, planning and delivery monitoring. 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. The Commissioner also has a team within the office to assist oversight of the Constabulary's performance and has commenced regular scrutiny sessions which will be open to the public. 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 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 joint Thames Valley Police & Hampshire Bi-lateral Collaboration Governance Board met 3 times during 2013/14. In January 2013 the formal governance framework and performance accountability of the collaborated Operations, ICT and Information Management units were agreed by both PCCs, as well as the collaboration business plan 2014-16. This Board oversees the development of the Contact Management programme, Criminal Justice, Crime & Intelligence, Non-Collaborated Operations Units and Learning & Development. Governance of collaboration between forces across the South East Region is undertaken at the regular Regional Governance Board. Four meetings were held during 2013/14. The South East Regional Organised Crime Unit (SEROCU), hosted by Thames Valley Police, brings together the current regional organised crime units under one structure with additional capabilities included. It is aligned with the South East Counter Terrorism Unit. There is a joint ACC who works directly to Chief Constable of Thames Valley Police to exercise overall command of the regional crime and counter terrorism functions. He also represents serious organised crime at the Regional Governance Board and nationally with the National Crime Agency and other key stakeholders.

3.6 The key elements of the Commissioner's arrangements for governance are:

a. the Commissioner's Police & Crime Plan has been developed in consultation with key stakeholders. It has been published on the OPCC website and promoted by the Commissioner at various events and roadshows

b. work had already begun in the last quarter of 2013/14 to refresh the Police and Crime Plan to ensure it remained relevant after further consultation with stakeholders. The arrangements for governance have been reviewed by the Police and Crime Commissioner and updated to reflect changes in structure with the introduction of new posts within the Office of the Police and Crime Commissioner for Estates, Commissioning, Communications and Performance. During 2013/14, the Commissioner has also appointed a Deputy and two further Assistant Commissioners. These additions have increased the size of the Leadership team and allowed more focus on delivering the priorities set out in the Police and Crime Plan. In addition, the Chief Executive left at the end of January 2014. This position is currently covered on an interim basis by the Head of Legal Services at Hampshire County Council, who has provided legal advice to the Commissioner since the inception of the Office of the Police and Crime Commissioner

c. the Police and Crime Plan sets the priorities for the Office of the Police and Crime Commissioner. These translate into targets and success measures for the Commissioner and service objectives for the Constabulary and its partnerships. The objectives delivered via the Constabulary are turned into performance targets

d. the Head of Performance monitors performance against all priorities including those delivered via the Constabulary and other partners. Performance targets delivered via the Constabulary are monitored monthly at the Force Performance Group and the outcomes published on the website. The Head of Commissioning also assists in ensuring that partners deliver the performance promised through commissioned services. The Constabulary's 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 which the Commissioner takes account of in monitoring overall performance. The Chief Finance Officer has a statutory duty to ensure value for money, so all payments are considered for the value for money they represent

e. roles and responsibilities are documented in law (e.g. Police Reform and Social Responsibility Act 2011), 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.

f. 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

g. all decisions made by the Police and Crime Commissioner are logged and published on the website.

h. the Risk Manager has designed a revised framework for risk management across the OPCC and Constabulary. The review of risk management during 2013/14 highlighted a need for stronger processes, which have begun to be implemented towards the end of 2013/14

i. the OPCC contributes to national counter-fraud and anti-corruption programmes of work such as the National Anti-Fraud Initiative. Counter-fraud and anti-corruption is covered in the Internal Audit Plan. The OPCC is also assisted by the Constabulary's Professional Standards Department and the Compliance Unit who undertake proactive and reactive work to identify and deal with counter-fraud and anti-corruption issues

j. the Force Change Board oversees a number of programmes and boards who are delivering change and transformation. The Commissioner, or his representative, sits on this Board. The Estates Change Programme also reports into the Force Change Board, but because Estate is owned by the Police and Crime Commissioner, the Commissioner can make decisions in relation to the Estate that do not pass through the Force Change Board. There is an Estates Change Programme Board which includes the Deputy Chief Constable and Constabulary CFO to ensure that any decisions proposed for the Estate meet the needs of the Constabulary in a cost effective manner. Ultimately, all strategic changes require a formal decision from the Commissioner, which is published on the website

k. 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 OPCC Leadership Group. Financial Regulations, Standing Orders on Contracts and a Scheme of Delegation are in place.

l. the Chief Internal Auditor ensures the Commissioner's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010). Oversight was provided by the Joint Audit Committee from May 2013. Oversight was provided by the Chief Finance Officers in the interim

m. the monitoring officer responsibilities are required, by law, to be discharged by the Chief Executive of the Police and Crime Commissioner

n. the statutory roles for the OPCC are set out in the Police Reform and Social Responsibility Act 2011. These posts are filled and, where required, discharged by suitably qualified staff

o. the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities* were discharged by the Joint Audit Committee from May 2013. The core functions were covered directly by those charged with governance in the interim. A robust process was put in place to attract the appropriate calibre of individuals to the Joint Audit Committee; therefore the first meeting was held in May 2013. The terms of reference for the Joint Audit Committee were agreed by the Police and Crime Commissioner, but will be reviewed to reflect recent guidance from CIPFA specifically tailored for Police Joint Audit Committees

p. management ensure that relevant laws and regulations, internal policies and procedures are complied with and that expenditure is lawful. Internal and external audit assist management in the review of the controls and compliance with the control framework

q. a whistleblowing/confidential reporting facility is in place. This is both internal and external complaints against all personnel. Complaints are reviewed and acted upon. The Police and Crime Commissioner's website states that complaints about the Police and Crime Commissioner should be submitted to the Police and Crime Panel

r. a Professional Development Review process is in place. The process appraises performance but also identifies training and development needs for all officers and staff

s. the OPCC and Constabulary have a joint approach to communication and consultation, using a variety of consultation survey methods to communicate with all sections of the community. The most notable exercise was an independently facilitated consultation event in January 2014 that sought views from a specially selected group of people, who reflect the diverse people served by the Office of the Police and Crime Commissioner. The event took views on council tax levels and updating the Police and Crime Plan. An online survey was also used to gather more views from more stakeholders on council tax. Communication also takes place 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

t. The Police and Crime Commissioner will be held to account by the public and scrutinised by the Police and Crime Panel . The Chief Constable will be held to account for performance by the Commissioner. In addition, a series of public meetings will take place where the Police and Crime Commissioner will be visible to the public in holding the Chief Constable to account in public for service delivery and effectiveness. Decisions are published for transparency as well as transactional payments and pay for higher paid posts.

u. delivery leads on partnerships are reminded of the need for good governance arrangements

4. REVIEW OF EFFECTIVENESS

4.1 The Commissioner 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 Leadership Group within the OPCC 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 Commissioner 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 The Joint Audit Committee gives independent advice to the Commissioner on audit, risk and governance issues throughout the financial year. The Joint Audit Committee also ensures that the review of effectiveness is a review of group activities of both the OPCC 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 by the Joint Audit Committee. 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.

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 The review of effectiveness has identified a need to update processes for risk management and business continuity across the OPCC and Constabulary. Work has taken place during 2013/14 to improve risk management arrangements across the OPCC and Constabulary. An internal audit review at the end of 2013/14 has found that the arrangements are now adequate, but this will be subject to further consideration by the Joint Audit Committee.

5.2 The Police and Crime Commissioner received a letter from the Health and Safety Executive in 2012/13 requiring a plan of work to be put in place in relation to maintenance of buildings. An action plan is being implemented in 2013/14 by the new joint working estates team with a budget of £2.7m. A programme of work agreed with the Fire and Rescue Service has been undertaken at Police Headquarters to ensure that the building complies with Fire Regulations.

5.3 The Joint Audit Committee met for the first time in May 2013. Terms of reference were set out at that meeting but will be reviewed in line with recent CIPFA guidance specifically aimed at Police Joint Audit Committees. The Code of Corporate Governance inherited from the police authority was 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 were reviewed for comments by the Joint Audit Committee. The Joint Audit Committee members were selected because of the relevant skills and experience they have, amongst other things, in relation to governance, accounting, risk management, working on other audit committees. A programme of training is in place to give the members of the Joint Audit Committee a greater insight into the general responsibilities to be discharged within policing and the specific workings of the OPCC and Constabulary in Hampshire and the Isle of Wight.

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.

Signed by:

Police and Crime Commissioner

This statement shows the movement in the year on the different reserves held by the Commissioner and Group, 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 Commissioner's and Group's 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 undertaken by the Commissioner and Group.

Movement in Reserves Statement - Group

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves	*Note*
Note		*31*		*16*			*32*		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 1 April 2012	**12,006**	**35,944**	**0**	**2,131**	**0**	**50,081**	**(2,243,150)**	**(2,193,069)**	
Movements during 2012/13									
Surplus or (deficit) on the provision of services	(118,046)	0	0	0	0	(118,046)	0	(118,046)	
Other Comprehensive Income and (Expenditure)	0	0	0	0	0	0	(137,053)	(137,053)	
Total Comprehensive Income and Expenditure	(118,046)	0	0	0	0	(118,046)	(137,053)	(255,099)	
Adjustments between accounting basis & funding basis under regulations	130,192	0	0	(316)	0	129,876	(129,876)	0	*14*
Net Increase/(Decrease) before Transfers to Earmarked Reserves	12,146	0	0	(316)	0	11,830	(266,931)	(255,099)	
Transfers to/from earmarked reserves	(9,846)	9,846	0	0	0	0	0	0	*15*
Increase/(Decrease) in year	**2,300**	**9,846**	**0**	**(316)**	**0**	**11,830**	**(266,931)**	**(255,099)**	
Balance at 31 March 2013	**14,306**	**45,790**	**0**	**1,815**	**0**	**61,911**	**(2,510,081)**	**(2,448,170)**	
Movements during 2013/14									
Surplus or (deficit) on the provision of services	(115,873)	0	0	0	0	(115,873)	0	(115,873)	
Other comprehensive income and (expenditure)	0	0	0	0	0	0	94,083	94,083	
Total Comprehensive Income and Expenditure	(115,873)	0	0	0	0	(115,873)	94,083	(21,790)	
Adjustments between accounting basis & funding basis under regulations	128,207	0	1,070	(825)	0	128,452	(128,452)	0	*14*
Net Increase/(Decrease) before Transfers to Earmarked Reserves	12,334	0	1,070	(825)	0	12,579	(34,369)	(21,790)	
Transfers to/from earmarked reserves	(10,674)	10,674	0	0	0	0	0	0	*15*
Increase/(Decrease) in Year	**1,660**	**10,674**	**1,070**	**(825)**	**0**	**12,579**	**(34,369)**	**(21,790)**	
Balance at 31 March 2014	**15,966**	**56,464**	**1,070**	**990**	**0**	**74,490**	**(2,544,450)**	**(2,469,960)**	

Note	General Fund Balance	Earmarked General Fund Rese	Capital Receipts Reserve	Capital (Revenue Contribution Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	Note
		15		16			32		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 1 April 2012 (restated)	**12,006**	**35,944**	**0**	**2,131**	**0**	**50,081**	**118,130**	**168,211**	
Movements during 2012/13 (restated)									
Surplus or (deficit) on the provision of services	5,762	0	0	0	0	5,762	0	5,762	
Other Comprehensive Income and (Expenditure)	0	0	0	0	0	0	682	682	
Total Comprehensive Income and Expenditure	5,762	0	0	0	0	5,762	682	6,444	
Adjustments between accounting basis & funding basis under regulations	6,384	0	0	(316)	0	6,068	(6,068)	0	14
Net Increase/(Decrease) before Transfers to Earmarked Reserves	12,146	0	0	(316)	0	11,830	(5,388)	6,444	
Transfers to/from earmarked reserves	(9,846)	9,846	0	0	0	0	0	0	15
Increase/(Decrease) in year	**2,300**	**9,846**	**0**	**(316)**	**0**	**11,830**	**(5,388)**	**6,444**	
Balance at 31 March 2013 (restated)	**14,306**	**45,790**	**0**	**1,815**	**0**	**61,911**	**112,742**	**174,655**	
Movements during 2013/14									
Surplus or (deficit) on the provision of services	10,690	0	0	0	0	10,690	0	10,690	
Other comprehensive income and (expenditure)	0	0	0	0	0	0	421	421	
Total Comprehensive Income and Expenditure	10,690	0	0	0	0	10,690	421	11,111	
Adjustments between accounting basis & funding basis under regulations	1,644	0	1,070	(825)	0	1,889	(1,889)	0	14
Net Increase/(Decrease) before Transfers to Earmarked Reserves	12,334	0	1,070	(825)	0	12,579	(1,468)	11,111	
Transfers to/from earmarked reserves	(10,674)	10,674				0		0	15
Increase/(Decrease) in Year	**1,660**	**10,674**	**1,070**	**(825)**	**0**	**12,579**	**(1,468)**	**11,111**	
Balance at 31 March 2014	**15,966**	**56,464**	**1,070**	**990**	**0**	**74,490**	**111,274**	**185,766**	

Note that the 2012/13 opening balance and transactions for the Commissioner have been restated (see the prior year adjustment at Note 3).

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.

2012/13 Group CIES Net Expenditure	2012/13 Group CIES Gross Expenditure	2012/13 Group CIES Gross Income		2013/14 Group CIES Net Expenditure	2013/14 Group CIES Gross Expenditure	2013/14 Group CIES Gross Income	Note
£'000	£'000	£'000		£'000	£'000	£'000	
138,258	152,228	(13,970)	Local policing	134,420	138,456	(4,036)	
27,307	27,901	(594)	Dealing with the public	28,865	29,102	(237)	
27,756	28,470	(714)	Criminal justice arrangements	28,476	30,072	(1,596)	
11,092	14,872	(3,780)	Roads policing	12,724	17,590	(4,866)	
16,549	17,591	(1,042)	Operational support	16,344	19,360	(3,016)	
10,547	11,026	(479)	Intelligence	14,556	15,061	(505)	
59,527	61,808	(2,281)	Investigation	77,879	80,107	(2,228)	
11,705	11,931	(226)	Investigative support	11,763	11,865	(102)	
4,243	21,938	(17,695)	National policing	(5,292)	23,281	(28,573)	
1,472	1,475	(3)	Corporate and democratic core	1,707	1,708	(1)	9
8,155	8,155	0	Non distributed costs	(2,169)	(2,169)	0	
316,611	**357,395**	**(40,784)**	**Net Cost of Police Services**	**319,273**	**364,433**	**(45,160)**	
1,162			Other operating (income) and expenditure	1,699			17
108,955			Financing and investment income and expenditure	111,762			18
(308,682)			Taxation and non specific grant income	(316,861)			13
118,046			**(Surplus) / Deficit on Provision of Services**	**115,873**			
(682)			(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	(421)			19
(16,590)			Return on plan assets	20,150			8
154,325			Actuarial (gains) / losses on pension assets/liabilities	(113,812)			8
0			Any other (gains) / losses	0			
137,053			**Other Comprehensive Income and Expenditure**	**(94,083)**			
255,099			**Total Comprehensive Income and Expenditure**	**21,790**			

2012/13 (restated)				2013/14			*Note*
Net Expenditure	**Gross Expenditure**	**Gross Income**		**Net Expenditure**	**Gross Expenditure**	**Gross Income**	
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	
3,062	3,108	(46)	Local policing	3,946	3,956	(10)	
454	456	(2)	Dealing with the public	728	729	(1)	
415	417	(2)	Criminal justice arrangements	679	684	(5)	
531	544	(13)	Roads policing	637	652	(15)	
499	502	(3)	Operational support	656	665	(9)	
217	219	(2)	Intelligence	419	421	(2)	
1,008	1,016	(8)	Investigation	1,818	1,825	(7)	
174	175	(1)	Investigative support	237	237	0	
260	318	(58)	National policing	225	312	(87)	
1,200	1,203	(3)	Corporate and democratic core	1,496	1,497	(1)	*9*
7,575	7,575	0	Non distributed costs	2,235	2,235	0	
15,395	**15,533**	**(138)**	**Net Cost of Police Services before funding**	**13,076**	**13,213**	**(137)**	
285,398	326,044	(40,646)	Intra-group funding	290,474	335,497	(45,023)	
300,793	**341,577**	**(40,784)**	Net Cost of Police Services	**303,550**	**348,710**	**(45,160)**	
1,162			Other operating (income) and expenditure	1,699			*17*
965			Financing and investment income and expenditure	922			*18*
(308,682)			Taxation and non specific grant income	(316,861)			*13*
(5,762)			**(Surplus) / Deficit on Provision of Services**	**(10,690)**			
(682)			(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	(421)			*19*
(682)			**Other Comprehensive Income and Expenditure**	**(421)**			
(6,444)			**Total Comprehensive Income and Expenditure**	**(11,111)**			

As there has been a change in accounting policy which recognises the Chief Constable as a principal and not an agent of the Police and Crime Commissioner, the figures for the comparator year (2012/13) have been restated. See Notes 1.17, 3 and 4.

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

The net assets of the Group (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 the 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'.

A separate statement follows after the Group Balance Sheet to show the Commissioner's Balance Sheet.

31 March 2013		31 March 2014	Note
£'000		£'000	
155,162	Property, plant and equipment	149,812	19
13,000	Long term investments	3,350	25.1
689	Long term debtors	643	25.3
168,851	**Long Term Assets**	**153,805**	
37,250	Short term investments	37,000	25.1
3,857	Assets held for sale	4,669	21
970	Inventories	943	26
30,231	Short term debtors	39,611	27
4,330	Cash and cash equivalents	31,979	28
76,638	**Current Assets**	**114,202**	
(1,440)	Short term borrowing	(1,436)	
(1,169)	Grants received in advance - revenue	(1,558)	13
(6,052)	Grants received in advance - capital	0	13
(212)	Other short-term liabilities	(212)	
(28,318)	Short term creditors	(46,182)	29
(65)	Provisions	(351)	30
(37,256)	**Current Liabilities**	**(49,739)**	
(37,164)	Long term borrowing	(35,950)	25.1
(1,274)	Other long term liabilities	(1,061)	
(2,617,965)	Liability related to pension schemes	(2,651,217)	8
(2,656,403)	**Long Term Liabilities**	**(2,688,228)**	
(2,448,170)	**Net Assets/(Liabilities)**	**(2,469,960)**	
61,911	Usable reserves	74,490	MiRS
(2,510,081)	Unusable reserves	(2,544,450)	32
(2,448,170)	**Total Reserves**	**(2,469,960)**	

31 March 2013 (restated) £'000		31 March 2014 £'000	Note 3,4
155,162	Property, plant and equipment	149,812	19
13,000	Long term investments	3,350	25.1
689	Long term debtors	643	25.3
168,851	**Long Term Assets**	**153,805**	
37,250	Short term investments	37,000	25.1
3,857	Assets held for sale	4,669	21
970	Inventories	943	26
30,231	Short term debtors	39,611	27
4,330	Cash and cash equivalents	31,979	28
76,638	**Current Assets**	**114,202**	
(1,440)	Short term borrowing	(1,436)	
(1,169)	Grants received in advance - revenue	(1,558)	13
(6,052)	Grants received in advance - capital	0	13
(212)	Other short-term liabilities	(212)	
(23,462)	Short term creditors	(41,675)	29.2
(65)	Provisions	(351)	30
(32,400)	**Current Liabilities**	**(45,232)**	
(37,164)	Long term borrowing	(35,950)	25.1
(1,274)	Other long term liabilities	(1,061)	
(38,438)	**Long Term Liabilities**	**(37,011)**	
174,651	**Net Assets/(Liabilities)**	**185,764**	
61,911	Usable reserves	74,490	MiRS
112,740	Unusable reserves	111,274	32.2
174,651	**Total Reserves**	**185,764**	

As there has been a change in accounting policy which recognises the Chief Constable as a principal and not an agent of the Police and Crime Commissioner, the figures for the comparator year (2012/13) have been restated. See Notes 1.17, 3 and 4.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Commissioner during the reporting period. Note that as there is no distinction between the Group and the Commissioner, there is no separate statement for the Commissioner.

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

2012/13 £'000		2013/14 £'000	Note
118,046	Net (surplus) or deficit on the provision of services	115,873	CIES
(135,134)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(142,484)	38.1
2,747	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,512	38.2
(14,341)	Net cash flows from Operating Activities	(21,099)	
22,487	Investing Activities	(8,933)	38.3
2,391	Financing Activities	2,383	38.4
10,537	Net (increase) or decrease in cash and cash equivalents	(27,649)	
14,867	Cash and cash equivalents at the beginning of the reporting period	4,330	
4,330	Cash and cash equivalents at the end of the reporting period	31,979	38.5

2012/13 (restated) £'000		2013/14 £'000
(5,762)	Net (surplus) or deficit on the provision of services	(10,690)
(11,326)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(15,921)
2,747	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,512
(14,341)	Net cash flows from Operating Activities	(21,099)
22,487	Investing Activities	(8,933)
2,391	Financing Activities	2,383
10,537	Net (increase) or decrease in cash and cash equivalents	(27,649)
14,867	Cash and cash equivalents at the beginning of the reporting period	4,330
4,330	Cash and cash equivalents at the end of the reporting period	31,979

As there has been a change in accounting policy which recognises the Chief Constable as a principal and not an agent of the Police and Crime Commissioner, the figures for the comparator year (2012/13) have been restated. See Notes 1.17, 3 and 4.

Index of Explanatory Notes to the Core Financial Statements

1 - Statement of Accounting Policies and Estimation Techniques

1.1 General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2013). 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 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.

The accounting policies employed by the Chief Constable are consistent with those employed by the Commissioner. The full set of policies is included in the Commissioner's Statement of Accounts and those which are applicable to the Chief Constable are included below. Notwithstanding this, there are some minor differences of disclosure – e.g. debtors and creditors (which exclude working capital) – for presentation purposes and overall readability of the accounts.

1.2 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 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.

1.3 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, ie 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.

1.4 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.

1.5 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;
- 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.

1.6 Financial Instruments

1.6.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Commissioner 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 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 Commissioner has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

1.6.2 Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

1.6.3 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Commissioner 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 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 loans that the Commissioner has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the previous Police Authority made a number of small loans to officers to enable them to purchase property at less than market rates. These are referred to as soft loans. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the individuals, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.7 Service Expenditure Analysis

The Service Reporting Code of Practice 2013/14 (SeRCOP) specifies the headings to present the statutory income and expenditure accounts and defines those headings. The requirement for 2013/14 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.

1.8 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.

1.9 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.

1.10 Precept Income

Precept income is included at the figure precepted on the collection funds of billing authorities in Hampshire and the Isle of Wight and is not subject to revision. Collection fund balances are accounted for on an accruals basis in the Comprehensive Income and Expenditure Account. As the billing authority is acting as an agent of the preceptor the Council Tax income included in the Comprehensive Income and Expenditure Account for the year shall be the accrued income for the year. The statutory basis for accounting for the amount to be credited to the General Fund is unchanged. Consequently, there are some adjustments through the Movement in Reserves Statement to mitigate the impact on the General Fund.

1.11 Specific Grants

Specific grants are included in the accounts on the basis of notification from the Government.

1.12 Investments

Surplus cash is invested in short term deposits to earn interest. Investments on deposit are valued at their nominal value. Investment income is recognised on receipt. The value of long-term (i.e. greater than one year) investments and loans is shown on the balance sheet with the 'current portion' of debt (i.e. that which is due in the following accounting period) being attributed to current liabilities (i.e. creditors) or current assets (i.e. debtors). The balance on these long-term liabilities or assets is shown in the appropriate category on the balance sheet.

1.13 Interest

Interest payable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment. Interest receivable is accounted for on the same basis.

1.14 Foreign Currency Translation

Where the Commissioner has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where grants are received in a foreign denomination and their use is to be subsequently accounted for in the same foreign denomination, a foreign currency account may be maintained to obviate the risk to the Commissioner of exchange rate fluctuations. The foreign currency holding is converted to the sterling equivalent using the spot exchange rate at 31 March and a creditor is shown in the accounts for the grant not used. In these circumstances, no gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the exchange rate risk is not borne by the Commissioner.

1.15 Debtors and Creditors

The accounts are maintained on an income and expenditure basis in accordance with the Code of Practice. That is, sums due to or from the Commissioner during the year are included, whether or not the cash has actually been received or paid in the year. As their value is not material, debtors and creditors of less than £1,000 are dealt with on a cash basis.

1.16 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Commissioner when there is reasonable assurance that:

- the Commissioner will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Commissioner 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 acquired using 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 relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and 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.

1.17 Employee Benefits

The Chief Constable now employs the majority of staff who previously were under the employment of the Commissioner. As such, these accounts include all of the related IAS19

Employee benefits adjustments for those employees in the LGPS and the Polcie Pension Schemes. However, a small minority of staff work directly for the Commissioner on delivering his activities. Notwithstanding this, on the grounds that any proportionate share of the IAS19 entries would not be material to the accounts, all of the LGPS IAS19 adjustments are contained in the Chief Constable's accounts.

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 Chjef Constable. 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 Chief Constable 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 appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Chief Constable 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

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

The Chief Constable 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.

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.

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 2013/14 the Chief Constable 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 employers' contribution rate for 2014/15 will remain at 13.1% of pensionable pay, but the overall contribution based on the payroll costs at 31 March 2010 will change to 8.9%.

Additional contributions are payable to cover the cost of any early retirements except those due to ill-health. In addition the Chief Constable 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.

Further details are in the notes to the accounts, the valuation report and the Hampshire Pension Fund Annual Report.

1.18 Liquid Resources

The Commissioner includes cash, stock and short-term investments in its categorisation of liquid resources, on the basis that these are either actually held as cash or are readily convertible to cash in the short-term.

1.19 Cash and Cash Equivalents

Under the Code, Cash and Cash Equivalents are to be disclosed on the face of the Balance Sheet. Cash comprises cash in hand and repayable on demand deposits. The latter typically consisting of cash held in deposit accounts but subject to repayment on demand, and cash held in deposit accounts but subject to instant access. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Code also stipulates that they are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Commissioner excludes term deposits or investment accounts requiring notice for withdrawal from the classification of Cash Equivalents as in terms of liquidity they are not equivalent to cash.

The Commissioner routinely uses short-term bank overdraft facilities which are repayable on demand, as an integral part of its cash management policy. Under these circumstances bank overdrafts are included as a component of cash and cash equivalents.

1.20 Trading Account

The Commissioner has one trading account in respect of venue hire for functions at its Training and Support Headquarters. The income and expenditure is now included within the net cost of services to give clearer reconciliations between the financial ledger and the statement of accounts. Any net surplus or deficit is credited or debited to an earmarked reserve at the year end. In light of the relatively immaterial size of the turnover of this account (c £123,000) no separate disclosure is made of this account.

1.21 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Commissioner's status as a single purpose, democratic organisation;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.22 Leases

1.22.1 Introduction

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.

1.22.2 The Commissioner as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

1.22.3 The Commissioner as Lessor

Operating Leases

Where the Commissioner 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 written-off value of disposals is not a charge against the precept, as the cost of fixed 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.

1.23 Property, Plant and Equipment (PP&E), Non-current assets

1.23.1 Recognition

Property, plant and equipment (PP&E) assets yield benefits to the Commissioner for a period of more than one year. PP&E assets are shown in the balance sheet at their written-down value after taking account of depreciation. All expenditure above the de minimis limit of £10,000 (£6,000 for vehicles) on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis.

1.23.2 Measurement

Assets are valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). All assets are initially valued at the depreciated historic cost until formally revalued. Intangible assets are valued at depreciated historical cost. Operational land and buildings are revalued at depreciated replacement cost. Houses and dwellings are revalued at their existing use value, except where non-operational, in which case they are valued at market value. Other non-operational assets are shown at their historic cost. Capital expenditure that enhances the useful life of the asset, but does not increase the value of the asset, is charged to the capital adjustment account. Assets are revalued if their use changes.

Where assets are revalued, increases in the valuation over the current value on the Balance Sheet are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where there has previously been an impairment loss charged to the cost of services. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date were consolidated into the opening balance on the Capital Adjustment Account.

1.23.3 Capital Receipts

For all receipts over a de minimis limit of £6,000 (£nil for vehicles), a Capital Receipts Reserve is maintained. This is used to fund future capital expenditure. Upon disposal of an asset the Code requires the gain or loss on disposal to be recognised in the accounts. This gain or loss is the difference between the written down (i.e. 'book') value of the asset and the sale proceeds. When making this calculation, however, no distinction is drawn between receipts below and above the de minimis limit in the Comprehensive Income and Expenditure Account.

1.23.4 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 difference 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 the 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.

1.23.5 Componentisation

The Code recognises that an asset may consist of several different and physical components. If an item of Property, Plant and Equipment (PP&E) comprises two or more significant components with substantially different useful lives, then each component is treated separately for depreciation purposes – i.e. as if each component were a separate in its own right – and depreciated over its individual useful life.

In accordance with the Code, the carrying amount of a replaced or restored component is de-recognised with the carrying amount of the new component being recognised. This accounting treatment applies regardless of whether the replaced part had been depreciated separately. Where it is not possible to determine the carrying amount of the replaced part, the cost of the new part is used as an indication of the cost of the replaced part at the time it was acquired or constructed.

For the purposes of componentisation, the Commissioner has applied a de minimis limit for each individual component of £500,000 and 20% of the overall asset cost. Thus, component assets that are part of a larger asset which has a value of at least £2.5m and the estimated cost of the component is at least £500,000 and 20% of the cost of the larger asset will be recorded and depreciated separately if that component has a materially different useful life and/or method of depreciation to the main asset. Items below these limits are not considered to be material.

Where expenditure on refurbishing or replacing elements of PP&E is incurred, and which is below the materiality threshold but which is properly recorded as being capital, the written down value of the replaced or refurbished element of the main asset will be written out of the asset register to avoid double-counting of expenditure which does not add value.

Any Revaluation Reserve balances associated with componentised assets will be attributed to the building component (s) as it is considered unlikely that plant and equipment components will give rise to revaluation gains and losses independently of the structure of the building. However, the plant and equipment components may be subject to impairment.

1.23.6 Depreciation

Depreciation is defined as the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset. Depreciation is charged on all assets, with the exception of land where no depreciation is charged. Where is it charged, depreciation is calculated on the following basis:-

- Property, plant and equipment assets (PP&E), with the exception of vehicles, are depreciated on a straight line basis over the useful life of the property as estimated by the valuer. Buildings have a half year depreciation in the year of acquisition and sale.
- Vehicles are depreciated on a straight line basis over the useful life of the asset less an estimated residual value which is excluded from this calculation. Where a vehicle has reached the end of its expected life but the vehicle is retained, the residual value is revised and this forms the depreciation charge for the year. Vehicles have a full year of depreciation in the year of purchase but are not depreciated in the year of sale;
- Intangible fixed assets are amortised on a straight line basis and no residual value is assumed unless this can be measured reliably.

The above methodologies reflect the relative speed of depreciation of buildings and vehicles.

The useful lives of land and buildings are advised by a qualified valuer on an asset by asset basis. Buildings have variable asset lives, with most operational buildings having assumed to have a useful life of 90 years at the point of construction, and dwellings having a life of 61 years. New buildings are valued at the point of completion and the asset life for accounting purposes assessed at that time.

Useful lives of vehicles are advised by the Force's Transport Department for each individual vehicle. Vehicles are typically given an asset life of between 3 and 5 years, although this represents the extent of their useful life for operational purposes and the residual value represents an estimate of their economic value at the anticipated point of disposal.

IT and other short-life equipment is generally assigned a useful economic life of between 5 and 10 years.

Useful lives of other assets are advised by a suitably qualified individual. There are no changes to the methodology.

Revaluation gains are also depreciated, with an amount equal to the depreciation between current value depreciation charged on assets and the depreciation which would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.23.7 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

1.24 Minimum Revenue Provision for the repayment of debt

The Commissioner is required by law to make a 'minimum revenue provision' (MRP) for the repayment of debt. The regulations in place prior to 2007/08 required this MRP to be set at 4% of the Commissioner's capital financing requirement less the 'relevant amount', which is a statutory measure of the Commissioner’s net indebtedness to fund capital expenditure.

The Commissioner has adopted the policy first approved in June 2008 to calculate the minimum revenue provision for the repayment of debt - which is a statutory charge to the Comprehensive Income and Expenditure Account - on the basis of the previous regulations in respect of capital expenditure supported by Government grant. The MRP for all unsupported borrowing will be based on the asset life.

1.25 Inventories

Stock accounts are maintained for uniforms, vehicle spares, fuel, computer consumables and computer equipment and these are valued at latest buying price. This is a departure from SSAP 9, but the differences are not material to the accounts.

1.26 Provisions, Contingent Liabilities and Contingent Assets

1.26.1 Provisions

Provisions are made where an event has taken place that gives the Commissioner 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 Commissioner 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 Commissioner becomes aware of the obligation. They 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 Commissioner settles the obligation.

1.26.2 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Commissioner 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 Commissioner. 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 not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.26.3 Contingent Assets

A contingent asset arises where an event has taken place that gives the Commissioner a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Commissioner.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.27 Reserves

The general reserve represents the surplus of revenue income over expenditure. It can be used to supplement council tax precepts and grant income in future years, or to meet unforeseen items during the year.

The introduction of the police pension fund account in 2006/07 obviated the need for a pension reserve and the balance on that reserve was transferred into the general reserve. An IAS19 pension reserve is still required to display the pension liability calculated in accordance with IAS19. The IAS19 pension liability is a significant figure which represents the amount that the Commissioner would have to find if all officers and staff were able to claim their pension as at 31 March 2014. The figure is high as the majority of the liability is in respect of the police pension schemes which do not have a funded status (i.e. unlike the Local Government Superannuation Scheme for staff).

The Capital Adjustment Account is a credit balance 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. The Revaluation Reserve records the accumulated gains on assets held by the Commissioner arising from increases in value, netted off for disposals and certain depreciation adjustments.

The Financial Instruments Adjustment Account is held to account for financial instruments. Financial instruments should be shown at fair value or amortised cost and where the fair value is different to the carrying (i.e. book) value, the difference on initial recognition is charged to the Income and Expenditure Account and reversed out to ensure that the general fund balance is not affected. Subsequent to this entries are required in the accounts to write the asset or liability back up to the actual sum due or to be repaid at the end of its expected life.

A Capital Grants Unapplied earmarked reserve holds capital grants and contributions that have been received, usually for a specific purpose, but have not been applied to finance capital expenditure.

A Capital Receipts Reserve is maintained for the proceeds of the sale of capital assets such as the disposal of police houses and the sale of vehicles. Individual receipts of less than £6,000 have been credited to revenue income, with the exception of vehicle sales which are all credited to the capital receipts reserve in view of the significant volume of sales in each financial year.

Capital (Revenue Contributions) Reserve holds amounts of money that have been taken from revenue to fund future capital expenditure.

Other earmarked reserves exist to carry forward balances for activities which are ring-fenced (such as ACRO) or for the Netley Business Plan or for other approved, specific purposes.

1.28 Treasury Management

Treasury management is an activity which is carried out by Hampshire County Council on the Commissioner’s behalf. The Commissioner approves an Annual Investment Strategy for cash balances and a borrowing strategy for long-term requirements to support planned capital expenditure in February each year for the following year.

1.29 Fair Value

For financial assets and financial liabilities carried in the statements at fair value, this has been assessed by using discounted cash flow analysis, using the most appropriate Public Works Loans Board (PWLB) rate at the time the transaction was entered into or recognised and measured.

1.30 Revenue Expenditure Funded From Capital Under Statute

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 it is determined that the cost of this expenditure will be met from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

The revenue expenditure funded from capital under statute generally relates to grants and expenditure on property not owned by the Commissioner. Expenditure in the year is disclosed in the note on capital expenditure and financing.

1.31 Bad debt

The Commissioner reviews the exposure to debtors failing to pay amounts which are due to the Commissioner on an annual basis and assesses whether there is a likelihood that a proportion of debts may be considered to be impaired on the basis of experience that some debts will be unrecoverable. The sum assessed as a provision for the impairment of bad and doubtful debts is £150,000.

1.32 Changes in Accounting Policies

There have been several significant changes in relation to IAS 19 Employee Benefits. A revised IAS19 (IAS19R) has been introduced, which applies to accounting periods beginning on or after 1 January 2013. The impact of this is different according to whether the pension scheme is funded or not. Whilst these accounts for 2013/14 are covered by this change in accounting standard and it represents a change in accounting policy, consideration has been given to restating the comparators for 2012/13. However, the impact is not material and there has been no change to the net liability on the Balance Sheet. As a result, whilst the disclosures in the notes have been restated, the CIES and cash flow statement have not been restated. See note 8 for more explanation.

The revised IAS19 means that for unfunded schemes, such as the Police Pension Schemes, this changes the allocation of expenses between current service cost and the interest cost, leaving the total expense recognised in the Surplus or Deficit on the Provision of Services unchanged. There is no effect on the Balance sheet.

For funded schemes, such as the Local Government Superannuation Scheme, there are three principal changes:-

- The expected return on assets is calculated at the discount rate, instead of as currently an expected return based on actual assets held in the fund;

- The interest on the service cost is included in the service cost itself;
- Administration expenses will continue to be charged through the profit and loss account. We have included this in the service cost.

A change in accounting policy has also been made in respect of the Chief Constable, who is now clearly shown in his accounts as a principal, which has an impact upon the income and expenditure, reserves and balances which are attributable to the Commissioner. In the light of further guidance on the appropriate accounting for each corporation sole, more experience of how the governance arrangements work in practice - as well as the form of the governance arrangements - and a review of the balance between strategic control and operational control of staff and assets, more expenditure and income is recorded in the Chief Constables accounts and the IAS19 liabilities are recorded in his Balance Sheet. These changes are material and significant and the comparators have been changed. See notes 3 and 4 for more information.

Note that, upon creation of the 'corporation sole' of the Chief Constable the relevant legislation did not classify the Chief Constable as a local authority. The impact of this was that certain statutory overrides – i.e. which enable the local authority to prepare its accounts in accordance with the Code of Practice and, in particular, to reconcile its accounts according to the basis of taxation/funding rather than the accounting basis – did not apply to the accounts of the Chief Constable. A Transitional Order (SI 2013/2319) was enacted to change this position: however, this was applicable to accounting periods with effect from 1 April 2013. The applicability of the statutory overrides to the Chief Constable has been treated as a change in accounting policy and, as it is material, the comparators for 2012/13 have been changed.

1.33 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 – Accounting Standards that have been issued but have not yet been adopted

Various accounting standards have been issued during 2013/2014 but not adopted in this financial year. Their implementation is in respect of accounting periods which commence on or after 1 January 2014. The standards mainly concern group accounting and consolidation, joint arrangements and disclosures. Whilst they are detailed below they are not anticipated to have a material impact on the financial statements of the OCC/PCC. They may however increase the amount of disclosures required.

- IFRS 10 Consolidated Financial Statements. This standard identifies control as the basis for consolidation. There is a new test of control with regard to the power of the investee.
- IFRS 11 Joint Arrangements. This standard establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.

- IFRS 12 Disclosures in Interests in Other Entities. This standard requires an entity to disclose information that enables the users of its financial statements to evaluate the nature of and risks associated with other entities and the effect of those interests on its financial position, performance and cash flows.
- IAS 27 Separate Financial Statements This standard refers to where an entity elects to present separate financial statements when accounting for investments in subsidiaries, joint ventures and associates.
- IAS 28 Investment in Associates and Joint Ventures. This standard sets out the use of the equity method when accounting for investments in associates and joint ventures where there is significant influence over the associate.

Other changes to accounting standards which have come into effect in 2013/2014 include:

- IAS 32 Financial Instruments. This standard provides amended guidance for the offsetting of financial assets and liabilities. This will not have a significant impact on the financial statements as the OCC/PCC do not hold complex financial instruments;
- IAS 1 Presentation of Financial Statements. This standard provides clarification on the presentation of comparative financial information.

None of the above amendments are expected to have a material impact upon the financial statements of the Police and Crime Commissioner for Hampshire or the group accounts.

3 – Prior Period Adjustments

Changes to the management of functions within the Constabulary

During 2013/14 the operations function – i.e. that element which was not subject to collaboration with other forces in the region – transferred from the Deputy Chief Constable's portfolio to the Assistant Chief Constable's (Operations) portfolio.

Also during 2013/14 some other minor changes took place.

The Amounts reported for Resource Making Decisions as note 7 reflect these changes and the comparators for 2012/13 have been restated accordingly. The impact of these changes is as below:-

	Deputy Chief Constable 2012/13 Original £'000	Deputy Chief Constable 2012/13 Restated £'000	Amount of restatement £'000	Assistant Chief Constable: Operations 2012/13 Original £'000	Assistant Chief Constable: Operations 2012/13 Restated £'000	Amount of restatement £'000	Assistant Chief Constable: Crime and Criminal Justice 2012/13 Original £'000	Assistant Chief Constable: Crime and Criminal Justice 2012/13 Restated £'000	Amount of restatement £'000	Assistant Chief Constable: Territorial Operations 2012/13 Original £'000	Assistant Chief Constable: Territorial Operations 2012/13 Restated £'000	Amount of restatement £'000
Expenditure:												
Employees	26,414	22,876	(3,538)	17,876	21,933	4,057	53,596	52,756	(840)	145,193	145,515	322
Premises	10,534	10,534	0	2	3	1	13	11	(2)	33	33	0
Transport	527	458	(69)	562	631	69	355	355	0	1,403	1,403	0
Travel & Subsistence	993	959	(34)	176	236	60	894	858	(36)	850	860	10
IT & Communications	723	694	(29)	29	60	31	193	191	(2)	2,869	2,869	0
Supplies & Services	16,508	15,435	(1,073)	621	1,639	1,018	9,155	9,145	(10)	1,977	2,042	65
Members' Allowances	0	0	0	0	0	0	0	0	0	0	0	0
National Levies	0	0	0	0	0	0	0	0	0	0	0	0
Grants Paid	68	102	34	8	8	0	176	142	(34)	116	116	0
Capital Financing (net)	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditure	**55,767**	**51,058**	**(4,709)**	**19,274**	**24,510**	**5,236**	**64,382**	**63,458**	**(924)**	**152,441**	**152,838**	**397**
Income:												
Service Income	(6,310)	(3,151)	3,159	(1,823)	(5,002)	(3,179)	(2,714)	(2,694)	20	(727)	(727)	0
Additional Specific Grants	0	0	0	(1,623)	(1,623)	0	(4,018)	(4,018)	0	(12)	(12)	0
Total Income	**(6,310)**	**(3,151)**	**3,159**	**(3,446)**	**(6,625)**	**(3,179)**	**(6,732)**	**(6,712)**	**20**	**(739)**	**(739)**	**0**
Contributions to/(from) reserves	**(3,073)**	**(2,776)**	**297**	**(174)**	**(192)**	**(18)**	**(488)**	**(488)**	**0**	**(797)**	**(1,076)**	**(279)**
Net Expenditure	**46,384**	**45,131**	**(1,253)**	**15,654**	**17,693**	**2,039**	**57,162**	**56,258**	**(904)**	**150,905**	**151,023**	**118**

Accounting for the Chief Constable as a principal in the accounts

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. The financial statements for 2012/13 were 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 had been accounted for in line with the CIPFA Code of Practice for Local Authority Accounting 2012/13 which advised 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 were 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 was accounted for as taking place on 1 April 2011, as the comparator year, and the financial statements for the Commissioner and the Group covered the entire 12 months to 31 March 2013.

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 operated in conjunction with the IASB guidance, it had been deemed in the 2012/13 accounts that all assets, liabilities and reserves would be recognised on the Commissioner's Balance Sheet. Consequently there was 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 was deemed to be a wholly-owned and controlled subsidiary reporting to the Commissioner and forming part of the Group accounts (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.

Notwithstanding the above, it was recognised that the Chief Constable provided policing services with the consent of the Commissioner who provided a budget for the delivery of policing services. Thus, the statement of accounts for 2012/13 included an operating cost statement in respect of the services which are provided.

With further guidance being available from CIPFA and the Audit Commission, together with more experience of working under the new governance arrangements in the police service it has been determined that the policy for accounting for the Chief Constable will be amended so that the Chief Constable is shown as a principal in his own right and not an agent of the Police and Crime Commissioner. These accounts have been prepared on that basis and more detail is provided in the next section. As a change in accounting policy which has a material impact on the accounts, the comparator figures for 2012/13 have also been changed.

The impact of the changes to accounting policies on the main statements in the comparator year - i.e. 2012/13 – is shown in the following tables:-

Opening 1 April 2013 Balance Sheet

The table below shows the adjustments required for the recognition of assets and liabilities on the Commissioner's Balance Sheet, shown in the restated figures in the main statements:-

	Chief Constable			Police & Crime Commissioner			
	2012/13 original	Intra-group Adjust.	2012/13 restated	2012/13 original	Intra-group Adjust.	2012/13 restated	Total Adjustment (Group Accounts)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current Liabilities :							
Other Short Term Creditors	0	(4,856)	(4,856)	(28,318)	4,856	(23,462)	0
Long Term Liabilities :							
Liability relating to Defined Benefit Pension Schemes	0	(2,617,965)	(2,617,965)	(2,617,965)	2,617,965	0	0
Reserves							
Unusable Reserves	0	(2,622,821)	(2,622,821)	(2,510,081)	2,622,821	112,740	0

2012/13 Comprehensive Income and Expenditure Statement

The table below shows the adjustments required for the recognition of income and expenditure on the Chief Constable's Comprehensive Income and Expenditure Statement, shown in the restated figures in the main statements:-

	Chief Constable			Police & Crime Commissioner			
	2012/13 original	Intra-group Adjust.	2012/13 restated	2012/13 original	Intra-group Adjust.	2012/13 restated	Total Adjustment (Group Accounts)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Cost of Police Services before Funding	0	301,216	301,216	316,611	(301,216)	15,395	0
Other Operating Income & Expenditure	0	0	0	1,162	0	1,162	0
Financing & Investment Income & Expenditure	0	107,990	107,990	108,955	(107,990)	965	0
Taxation & Non-Specific Grant Income	0	0	0	(308,682)	0	(308,682)	0
Commissioner's Funding to the Chief Constable for Resources Consumed	0	(285,398)	(285,398)	0	285,398	285,398	0
(Surplus)/deficit on the Provision of Services	0	123,808	123,808	118,046	(123,808)	(5,762)	0
(Surplus)/deficit on revaluation of Non-Current Assets	0	0	0	(682)	0	(682)	0
Actuarial (gains)/losses on Pension assets / liabilities	0	137,735	137,735	137,735	(137,735)	0	0
Total Comprehensive Income & Expenditure	0	261,543	261,543	255,099	(261,543)	(6,444)	0

Note that the group accounts are unaffected by these changes, as the tables above demonstrate.

Other – Consistency of accounting policies

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.

4 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Commissioner has to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There are significant cuts in levels of funding for Commissioners over the next three years which the former police authority had anticipated during 2010/11 and was able to plan for budget reductions and how this would impact upon service delivery and performance. There remains a degree of uncertainty about longer term levels of funding beyond 2014/15.

- In the light of changes to the policing structure and the resource issues faced by the Commissioner in the short and medium term, the Commissioner finalised his estate development plan in June 2013, heralding major changes to service delivery and the force estate structure. This will culminate in a reduction in the current estate, a plan to invest in updating the current custody estate through the creation of prisoner investigation centres and through the extension of joint working and co-location with other local authorities and other partners as bases for safer neighbourhood teams. This will make the estate fit for purpose and will enable the Commissioner to maintain high levels of service and performance at a time when significant budget reductions are being experienced.

The previous section makes reference to the decisions which were made in preparing the 2012/13 Statement of Accounts concerning accounting for the Chief Constable as a 'corporation sole' but who is effectively a wholly-owned subsidiary of the Commissioner. At that time there were some overriding factors which led to a decision to treat the Chief Constable as effectively an agent of the Commissioner: namely the overall strategic control the Commissioner has over the activities of the Chief Constable, his control over all resources, assets and liabilities, his funding arrangements and his ability to dismiss the Chief Constable. Added to this, the post of the Commissioner was relatively new and the relationship between the two parties was something which was still being worked through at the time the accounts were prepared. Finally, as a local authority, the Commissioner has some statutory overrides in his accounting for certain items of his income expenditure, which provide a link between the funding basis of the Commissioner and his statutory accounts. However, the Chief Constable did not receive the benefit of these statutory overrides until after the 2012/13 accounts were produced. The result of all of these factors was that the statutory accounts were prepared on a different basis in 2012/13 to 2013/14.

In these accounts, we take notice of the following factors:-

- The Chief Constable is now classed as a local authority, allowing him to benefit from the statutory overrides contained in the Accounts and Audit Regulations 2011;
- Clearer guidance on the accounting arrangements has been received from CIPFA in the form of Local Authority Accounting Panel (LAAP) Bulletins and other communiqués. This guidance aims to draw a distinction between both the form and substance of the arrangements between the two parties, the nature of control being a balance between strategic and operational control and the fact that, whilst the Commissioner can remove the Chief Constable himself, he cannot remove the role itself;
- Guidance from the Audit Commission regarding its instructions to external audit bodies in the wake of the prevailing guidance received by local authorities from CIPFA;
- The relationship between the Commissioner and the Chief Constable which is clearer and more established after 18 months of working together in these new arrangements.

As a result of the above, we have reviewed the various aspects of the relationship between the Commissioner and the Chief Constable in order to determine how to account for these in the 2013/14 Statement of Accounts:-

	Accounting determination		
Consideration	**PCC**	**CC**	**Reasoning**
Expenditure	√	√	CC to record all expenditure on staff, buildings, supplies and services, vehicles etc. which is employed in the delivery of operational policing except those directly attributable to the activity and functions of the PCC
Employees – IAS19		√	As most members of staff are under the day to day operational command of the CC, the IAS 19 (employment benefits, including pensions and the adjustments in respect of accrued employee benefits) charges/credits are attributed to the CC. The net IAS19 adjustments are subject to statutory overrides in the Movement in Reserves Statement.
Charges for assets – i.e. depreciation and impairment	√		Whilst the CC has day to day operational control of most assets such as buildings and vehicles, the PCC manages the estate and the strategic direction of the use of that estate. Additionally, he provides resources for the purchase of new assets, uses the proceeds from the sale of assets to fund future development or to pay down long-term debt and is responsible for the long- term decisions relating to the financing of his capital expenditure.
Income – General Grants and Taxation	√		The PCC sets the precept and is the only recipient of general grants. The PCC receives the income which is put into the Police Fund.
Income – specific grants, service income (events, statutory charges etc.) and other contributions and donations	√	√	This is recorded in the accounts of whichever party the income is directly attributable or whose activities it relates to.
Working capital – debtors, creditors, provisions	√	√	The PCC settles all of the outstanding cash payments through his overall control of the resources available for policing in the county. Debtors and creditors are recorded in the CIES of the Commissioner and the Chief Constable to show the cost of their activities, but the balance sheet entries in respect of these belong to the PCC.
Reserves- General fund reserve, earmarked general fund reserves, other usable reserves	√		As the PCC controls and owns the Police Fund, he owns the associated reserves.

	Accounting determination		
Consideration	**PCC**	**CC**	**Reasoning**
Reserves - unusable	√	√	These are accounting reserves, required for different reasons most of which relate to the statutory overrides and accounting for assets. Most of these are attributable to the PCC, with the exceptions being those relating to the IAS19 entries in the accounts – i.e. the pensions reserve and the accumulated absences account – as these follow the staff to which they relate (i.e. and which are recorded in the CC's Comprehensive Income and Expenditure Statement).

5 - 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 Commissioner 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 different from the assumptions and estimates.

The items in the Commissioner's Balance Sheet at 31 March 2014 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. If there is reduced expenditure in the future in this area with reduced overall resources this could lead to useful economic lives being shorter than currently forecast.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £102,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of net liability to pay pensions depends upon a number of complex judgements in relation 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. The Chief Constable receives annual forecasts and regular reviews of all of its assets and liabilities from an independent actuary to ensure that the accounts contain realistic estimates of the overall impact of these pensions liabilities.	The effects of the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumptions would result in a decrease in the Police Pension Schemes liabilities of 1.7% and a decrease in the Local Government Superannuation Scheme liabilities of 2.2%. However, the assumptions interact in complex ways. More details are provided in the IAS19 disclosures at note 8.

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

2012/13 PCC £'000	2012/13 CC £'000	2012/13 Group £'000	Gross Expenditure	2013/14 PCC	2013/14 CC	2013/14 Group £'000	Note
519	284,905	285,424	Employees (including police pensions)	896	281,192	282,088	
172	11,400	11,572	Premises	222	12,687	12,909	
0	4,861	4,861	Transport	1	4,956	4,957	
28	3,595	3,623	Travel and Subsistence	33	3,612	3,645	
2	4,585	4,587	IT and Communications	0	3,982	3,982	
535	32,147	32,682	Supplies and Services	541	44,472	45,013	
218	369	587	Grants	1,789	319	2,108	
159	0	159	Members Allowances	0	0	0	
13,900	0	13,900	Depreciation and Impairment	9,731	0	9,731	*19, 21*
15,533	**341,862**	**357,395**	**Gross cost of services**	**13,213**	**351,220**	**364,433**	
			Service Income				
(3)	(25,999)	(26,002)	Service Income	0	(38,683)	(38,683)	
(135)	(14,647)	(14,782)	Additional Grants	(137)	(6,340)	(6,477)	*13*
(138)	**(40,646)**	**(40,784)**	**Total Service Income**	**(137)**	**(45,023)**	**(45,160)**	
285,398	(285,398)	0	Intra group adjustment	290,474	(290,474)	0	
300,793	**15,818**	**316,611**	**Net Cost of Services**	**303,550**	**15,723**	**319,273**	
1,162	0	1,162	Other operating income and expenditure	1,699	0	1,699	*17*
965	107,990	108,955	Financing and investment income and expenditure	922	110,840	111,762	*18*
0	0	0	Surplus or deficit of discontinued operations				
(308,682)	0	(308,682)	Taxation and non specific grant income	(316,861)	0	(316,861)	*13*
(5,762)	**123,808**	**118,046**	**(Surplus) or Deficit on Provision of Services**	**(10,690)**	**126,563**	**115,873**	
(682)	0	(682)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	(421)	0	(421)	*19*
0	0	0	Any other (gains) / losses	0	0	0	
0	(16,590)	(16,590)	Return on plan assets	0	20,150	20,150	
0	154,325	154,325	Actuarial (gains)/losses on pension assets/liabilities	0	(113,812)	(113,812)	*8*
(682)	**137,735**	**137,053**	**Other Comprehensive Income and Expenditure**	**(421)**	**(93,662)**	**(94,083)**	
(6,444)	**261,543**	**255,099**	**Total Comprehensive Income and Expenditure**	**(11,111)**	**32,901**	**21,790**	

7 - Amounts reported for Resource Making Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Commissioner on the basis of budget reports analysed across the operational directorates within the Constabulary and the Commissioner's own activities. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- the expenditure on some support services is budgeted for centrally and not charged to operational directorates (portfolios).

The income and expenditure of the Chief Constable's principal operational directorates and the Commissioner itself as recorded in the budget reports for the year is shown on the following pages. There are separate pages for 2013/14 and for 2012/13 as the comparator. The first provides a reconciliation of the income and expenditure to the operational directorates (portfolios) to the Cost of Services shown in the Comprehensive Income and Expenditure Statement. The second page reconciles the same to the subjective analysis shown in note 6.

The figures reported to the Commissioner in June are based on the outturn figures as that time. As the year-end closedown of the accounts progresses and is subject to changes up to the time the audit of the accounts is finalised by the end of September, the figures reported in this note as being 'per the outturn report' may differ from those which were initially presented to the Commissioner. As such, they represent the updated figures which would be reported at the time the audited accounts are approved.

Note that changes to the organisational structure/operational portfolios in the constabulary in 2013/14 have been reported as a prior period adjustment due to the scale of those changes and to aid comparability. Consequently, the 2012/13 comparator figures in the table below are the restated figures. See note 3 for further details of the changes made.

2013/14	Chief Constable and Chief Officers Group	Deputy Chief Constable	Assistant Chief Constable: Crime and Criminal Justice	Assistant Chief Constable: Territorial Operations	Assistant Chief Constable: Operations	Direcector of Corporate Services & HR	Chief Finance Officer	General Items	Police and Crime Commissioner	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure:										
Employees	232	23,167	50,540	142,525	22,424	10,610	1,221	4,811	896	**256,426**
Premises	-	10,496	51	19	343	50	-	-	222	**11,181**
Transport	8	570	324	1,305	596	2,080	-	-	-	**4,883**
Travel and Subsistence	8	783	696	889	367	224	4	125	33	**3,129**
IT and Communications	-	392	63	2,672	52	61	-	-	-	**3,240**
Supplies and Services	42	16,383	9,108	1,489	12,203	1,118	1,557	273	541	**42,714**
Members' Allowances	-	-	-	-	-	-	-	-	-	**0**
National Levies	-	-	-	-	-	-	-	1,825	-	**1,825**
Grants Paid	50	72	107	12	-	-	-	11	1,789	**2,041**
Capital Financing (net)	-	-	-	-	-	-	-	3,397	-	**3,397**
Total Expenditure	**340**	**51,863**	**60,889**	**148,911**	**35,985**	**14,143**	**2,782**	**10,442**	**3,481**	**328,836**
Income:										
Service Income	(6)	(1,284)	(3,222)	(701)	(16,647)	(701)	(122)	(557)	(1)	**(23,241)**
Additional Specific Grants	-	(145)	(3,917)	(44)	-	(1)	-	-	(124)	**(4,231)**
Government Grants and Contributions	-	-	-	-	-	-	-	(215)	(1,459)	**(1,674)**
Total Income	**(6)**	**(1,429)**	**(7,139)**	**(745)**	**(16,647)**	**(702)**	**(122)**	**(772)**	**(1,584)**	**(29,146)**
Contributions to/(from) reserves	**0**	**(4,346)**	**(517)**	**(1,885)**	**15**	**(612)**	**(27)**	**8,756**	**1,652**	**3,036**
Net Expenditure	**334**	**46,088**	**53,233**	**146,281**	**19,353**	**12,829**	**2,633**	**18,426**	**3,549**	**302,726**

Reconciliation of portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	**£000**
Net expenditure in the Portfolio Analysis	**302,726**
Net expenditure of services and support services not included in the Analysis	**(4)**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	**25,768**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**(9,217)**
Cost of Services in Comprehensive Income and Expenditure Statement	**319,273**

2013/14	Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Expenditure:								
Employees	256,426	9,625	16,037	-	-	**282,088**	-	**282,088**
Premises	11,181	1,728	-	-	-	**12,909**	-	**12,909**
Transport	4,883	73	-	1	-	**4,957**	-	**4,957**
Travel and Subsistence	3,129	515	-	1	-	**3,645**	-	**3,645**
IT and Communications	3,240	742	-	-	-	**3,982**	-	**3,982**
Supplies and Services	42,714	2,299	-	-	-	**45,013**	-	**45,013**
Members Allowances	-	-	-	-	-	**0**	-	**0**
National Levies	1,825	-	-	(1,825)	-	**0**	-	**0**
Grants Paid	2,041	67	-	-	-	**2,108**	-	**2,108**
Capital Financing (net)	3,397	-	-	(3,397)	-	**0**	-	**0**
Depreciation, amortisation and impairment	-	-	9,731	-	-	**9,731**	-	**9,731**
Pensions interest cost and expected return on pension assets	-	-	-	-	-	**0**	110,840	**110,840**
Interest Payments	-	-	-	-	-	**0**	1,553	**1,553**
Precepts & Levies	-	-	-	-	-	**0**	1,825	**1,825**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	**0**	(126)	**(126)**
Total Expenditure	**328,836**	**15,049**	**25,768**	**(5,220)**	**0**	**364,433**	**114,092**	**478,525**
Income:								
Service Income	(23,241)	(16,038)	-	596	-	**(38,683)**	-	**(38,683)**
Additional Specific Grants	(4,231)	(2,246)	-	-	-	**(6,477)**	-	**(6,477)**
Interest and investment income	-	-	-	-	-	**0**	(631)	**(631)**
Income from council tax	-	-	-	-	-	**0**	(96,272)	**(96,272)**
Government grants and contributions	(1,674)	-	-	1,674	-	**0**	(220,589)	**(220,589)**
Total Income	**(29,146)**	**(18,284)**	**0**	**2,270**	**0**	**(45,160)**	**(317,492)**	**(362,652)**
Contributions to/(from) reserves	**3,036**	**3,231**	**0**	**(6,267)**	**0**	**0**	**0**	**0**
Net Expenditure	**302,726**	**(4)**	**25,768**	**(9,217)**	**0**	**319,273**	**(203,400)**	**115,873**

Restated 2012/13	Chief Constable and Chief Officers Group £'000	Deputy Chief Constable £'000	Assistant Chief Constable: Crime and Criminal Justice £'000	Assistant Chief Constable: Territorial Operations £'000	Assistant Chief Constable: Operations	Direcector of Corporate Services & HR £'000	Chief Finance Officer £'000	General Items £'000	Police and Crime Commissioner £'000	Total £'000
Expenditure:										
Employees	237	22,876	52,756	145,515	21,933	11,044	1,321	5,584	518	**261,784**
Premises	-	10,534	11	34	3	13	-	-	172	**10,767**
Transport	8	458	355	1,404	631	1,973	-	-	-	**4,829**
Travel and Subsistence	11	959	858	861	236	214	46	-	28	**3,213**
IT and Communications	-	694	191	2,869	60	103	34	-	2	**3,953**
Supplies and Services	44	15,435	9,145	2,042	1,639	654	1,643	163	535	**31,300**
Members' Allowances	-	-	-	-	-	-	-	-	159	**159**
National Levies	-	-	-	-	-	-	-	1,012	-	**1,012**
Grants Paid	-	102	142	117	8	-	-	-	218	**587**
Capital Financing (net)	-	-	-	-	-	-	-	3,598	-	**3,598**
Total Expenditure	**300**	**51,058**	**63,458**	**152,842**	**24,510**	**14,001**	**3,044**	**10,357**	**1,632**	**321,202**
Income:										
Service Income	-	(3,151)	(2,694)	(727)	(5,002)	(477)	(185)	(677)	(3)	**(12,916)**
Additional Specific Grants	-	-	(4,018)	(12)	(1,623)	-	-	(7,564)	(135)	**(13,352)**
Total Income	**0**	**(3,151)**	**(6,712)**	**(739)**	**(6,625)**	**(477)**	**(185)**	**(8,241)**	**(138)**	**(26,268)**
Contributions to/(from) reserves	**0**	**(2,776)**	**(488)**	**(1,075)**	**(192)**	**(994)**	**0**	**10,281**	**(129)**	**4,627**
Net Expenditure	**300**	**45,131**	**56,258**	**151,028**	**17,693**	**12,530**	**2,859**	**12,397**	**1,365**	**299,561**

Reconciliation of portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	**£000**
Net expenditure in the Portfolio Analysis	**299,561**
Net expenditure of services and support services not included in the Analysis	**382**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the	**29,214**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**(12,546)**
Cost of Services in Comprehensive Income and Expenditure Statement	**316,611**

Restated 2012/13	Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Expenditure:								
Employees	261,784	8,255	15,385	-		**285,424**	-	**285,424**
Premises	10,767	805	-	-	-	**11,572**	-	**11,572**
Transport	4,829	32	-	-	-	**4,861**	-	**4,861**
Travel and Subsistence	3,213	410	-	-	-	**3,623**	-	**3,623**
IT and Communications	3,953	634	-	-	-	**4,587**	-	**4,587**
Supplies and Services	31,300	1,382	-	-	-	**32,682**	-	**32,682**
Members Allowances	159	-	-	-	-	**159**	-	**159**
National Levies	1,012	-	-	(1,012)	-	**0**	-	**0**
Grants Paid	587	34		(34)	-	**587**	-	**587**
Capital Financing (net)	3,598	-	-	(3,598)	-	**0**	-	**0**
Depreciation, amortisation and impairment	-	-	13,900	-	-	**13,900**	-	**13,900**
Pensions interest cost and expected return on pension assets	-	-	-	-	-	**0**	107,990	**107,990**
Interest Payments	-	-	-	-	-	**0**	1,654	**1,654**
Precepts & Levies	-	-	-	-	-	**0**	1,012	**1,012**
Assets	-	-	-	-	-	**0**	150	**150**
Total Expenditure	**321,202**	**11,552**	**29,285**	**(4,644)**	**0**	**357,395**	**110,806**	**468,201**
Income:								
Service Income	(12,916)	(13,704)	(71)	689	-	**(26,002)**	-	**(26,002)**
Additional Specific Grants	(13,352)	(1,430)	0	-	-	**(14,782)**	-	**(14,782)**
Interest and investment income	-	-	-	-	-	**0**	(689)	**(689)**
Income from council tax	-	-	-	-	-	**0**	(101,975)	**(101,975)**
Government grants and contributions	-	-	-	-	-	**0**	(206,707)	**(206,707)**
Total Income	**(26,268)**	**(15,134)**	**(71)**	**689**	**0**	**(40,784)**	**(309,371)**	**(350,155)**
Contributions to/(from) reserves	**4,627**	**3,964**	**0**	**(8,591)**	**0**	**0**	**0**	**0**
Net Expenditure	**299,561**	**382**	**29,214**	**(12,546)**	**0**	**316,611**	**(198,565)**	**118,046**

8 - IAS19 (Pensions Accounting) entries and disclosures

Participation in pensions schemes

The Chief Constable now employs the majority of staff who previously were under the employment of the Commissioner. As such, these accounts include all of the related IAS19 pensions' adjustments for those employees in the LGPS. However, a small minority of staff work directly for the Commissioner on delivering his activities. Notwithstanding this, on the grounds that any proportionate share of the IAS19 entries would not be material to the accounts, all of the LGPS IAS19 adjustments are contained in the Chief Constable's accounts.

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

The Chief Constable participates in three post employment schemes:

- The Local Government Pension Scheme (LGPS) for support staff, administered by Hampshire County Council. This is a funded defined benefit final salary scheme, meaning that the Chief Constable and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;

- Arrangements for the award of discretionary post retirement benefits upon early retirement in respect of members of the LGPS. Liabilities are recognised when an award is made and the Chief Constable recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure. Note that the employer's liabilities under these arrangements are not material and the relevant transactions and liabilities are included with the overall LGPS funded scheme;

- The Police Pension Schemes for police officers. These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amount receivable by the pensions fund for the year is less than amount paid out, the Commissioner must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary approval, up to 100% of this cost is met by a central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Commissioner which must then repay the amount to central government.

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charges made against the precept are based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Police Pension Scheme (PPS)		New Police Pension Scheme		LGPS (police staff)	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement						
Cost of Services						
- Current service cost	41,790	42,680	7,450	8,460	9,580	11,040
- Past service costs	0	0	0	0	480	190
- (Gain)/loss from settlements						(4,960)
Financing and Investment Income and Expenditure						
Net interest expense	100,310	101,930	2,090	2,560	4,270	4,010
Total Charge to the Surplus or Deficit on the Provision of Services	**142,100**	**144,610**	**9,540**	**11,020**	**14,330**	**10,280**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
- Return on plan assets (excluding the amount included in the net interest expense)	0	0	0	0	(16,590)	20,150
- Actuarial (Gains)/Losses arising:-						
- from changes in experience	(550)	180	(10)	(10)	9,670	(2,480)
- from changes in demographic assumptions	0	29,040	0	1,170	0	(9,210)
- from changes in financial assumptions	126,930	(136,103)	11,415	**(1,399)**	(80)	6,550
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**268,480**	**37,727**	**20,945**	**10,781**	**7,330**	**25,290**
Movement in Reserves Statement						
Reverse charge to Provision of Services	**(142,100)**	**(144,610)**	**(9,540)**	**(11,020)**	**(14,330)**	**(10,280)**
Actual Amount charged against the General Fund Balance for pensions in the year						
Employer's contributions to the scheme	**25,870**	**24,307**	**4,905**	**5,131**	**11,508**	**11,650**
Benefits paid direct to beneficiaries	**0**	**0**	**0**	**0**	**22**	**0**
Charge on General Fund	**25,870**	**24,307**	**4,905**	**5,131**	**11,530**	**11,650**

[table continues on the next page]

	Injury Pensions (police officers)		All schemes - Summary	
	2012/13	2013/14	2012/13	2013/14
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
- Current service cost	1,460	1,520	60,280	**63,700**
- Past service cost	0	0	480	**190**
- (Gain)/loss from settlements	0	0	0	**(4,960)**
Financing and Investment Income and Expenditure				
Net interest expense	2,260	2,340	108,930	**110,840**
Total Charge to the Surplus or Deficit on the Provision of Services	**3,720**	**3,860**	**169,690**	**169,770**
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets	**0**	**0**	**(16,590)**	**20,150**
- Actuarial (Gains)/Losses arising:-				
- from changes in experience	**(10)**	**80**	**9,100**	**(2,230)**
- from changes in demographic assumptions	**0**	**640**	**0**	**21,640**
- from changes in financial assumptions	**4,380**	**(2,270)**	**142,645**	**(133,222)**
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**8,090**	**2,310**	**304,845**	**76,108**
Movement in Reserves Statement				
Reverse charge to Provision of Services	**(3,720)**	**(3,860)**	**(169,690)**	**(169,770)**
Actual Amount charged against the General Fund Balance for pensions				
Employer's contributions payable to the scheme	**0**	**0**	**42,283**	**41,088**
Benefits paid direct to beneficiaries	**1,430**	**1,770**	**1,452**	**1,770**
Charge on General Fund	**1,430**	**1,770**	**43,735**	**42,858**

The IAS19 accounting standard which applies to post employment benefits has been revised and this came into effect from the start of the 2013/14 financial year. The main impact of this standard for the Commissioner restricted to funded pension schemes and has the effect of increasing the charges to the CIES and the net interest expense, which is shown under ‘Financing and Investment Income and Expenditure’ in the CIES. The actuarial gains and losses on pensions assets and liabilities show with the opposite effect of the above changes: thus that the overall impact on the ‘Total Comprehensive Income and Expenditure’ is neutral.

The implementation of the new IAS19 reflects a change in accounting policy. Where the impact of a change in accounting policy is material, the Code requires that this should be shown as an adjustment to the figures for the comparator year. However, as most of the employees are members of the unfunded police schemes, the impact in Hampshire is not material: as such, no adjustments are made to the prior period in the main accounting statements. Notwithstanding this, to aid the reader’s understanding and to reflect the fact that the analysis of the various transactions in relation to reporting post-employment benefits has changed the table above presents all relevant figures in accordance with the new accounting standard and the table which follows shows the figures previously reported in 2012/13.

	Police Pension Scheme (PPS) 2012/13 £'000	New Police Pension Scheme 2012/13 £'000	LGPS (police staff) 2012/13 £'000
Comprehensive Income and Expenditure Statement			
Cost of Services			
Current service cost	40,830	7,280	9,100
Past service costs	0	0	480
Financing and Investment Income and Expenditure			
Interest costs	101,270	2,260	12,350
Expected return on assets	0	0	(10,180)
Total Charge to the Surplus or Deficit on the Provision of Services	**142,100**	**9,540**	**11,750**
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement			
Actuarial (Gains)/Losses	126,380	11,405	(4,420)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**268,480**	**20,945**	**7,330**
Movement in Reserves Statement			
Reverse charge to Provision of Services	**(142,100)**	**(9,540)**	**(11,750)**
Actual Amount charged against the General Fund Balance for pensions			
Employer's contributions to the scheme	**25,870**	**4,905**	**11,508**
Benefits paid direct to beneficiaries	**0**	**0**	**22**
Charge on General Fund	**25,870**	**4,905**	**11,530**

	Injury Pensions (police officers) 2012/13 £'000	All schemes - Summary 2012/13 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service cost	1,430	58,640
Past service cost	0	480
Financing and Investment Income and Expenditure		
Interest costs	2,290	118,170
Expected return on assets	0	(10,180)
Total Charge to the Surplus or Deficit on the Provision of Services	**3,720**	**167,110**
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement		
Actuarial (Gains)/Losses	**4,370**	137,735
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**8,090**	**304,845**
Movement in Reserves Statement		
Reverse charge to Provision of Services	**(3,720)**	**(167,110)**
Actual Amount charged against the General Fund Balance for pensions		
Employer's contributions payable to the scheme	**0**	**42,283**
Benefits paid direct to beneficiaries	**1,430**	**1,452**
Charge on General Fund	**1,430**	**43,735**

Pensions assets and liabilities recognised in the Balance Sheet

The nature of the schemes is explained in the accounting policies and further information is also given in the police pension fund account. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

There are no material prepaid or accrued pensions contributions at 31 March 2014.

The figures shown in this note are taken from the actuary's disclosure. The net liability shown in this note differs to the amount shown in the balance sheet as the entries in the revenue account and balance sheet have had the actuary's estimated contributions figure replaced by the actual figure. The difference is not material (£97,000), especially as all IAS19 figures are estimates.

The nature of the two police pension schemes in operation is explained in the accounting policies. In addition to the police pension schemes the costs of injury pensions falls upon the income and expenditure account.

The amounts included in the Balance Sheet arising from the Chief Constable’s obligation in respect of his defined benefit plan are as follows:-

Value at year ending	Police Pension Scheme (PPS) 31 March 2013	Police Pension Scheme (PPS) 31 March 2014	New Police Pension Scheme (NPPS) 31 March 2013	New Police Pension Scheme (NPPS) 31 March 2014	Local Govt Pension Scheme 31 March 2013	Local Govt Pension Scheme 31 March 2014
	£m	£m	£m	£m	£m	£m
Present value of the defined benefit obligation	2,411.15	2,424.57	59.39	65.04	283.51	290.62
Fair value of plan assets	0.00	0.00	0.00	0.00	(191.56)	(185.03)
Sub-total	2,411.15	2,424.57	59.39	65.04	91.95	105.59
Other movement in the liability (asset)	0.00	0.00	0.00	0.00	0.00	0.00
Net liability/(asset) arising from the defined benefit obligation	2,411.15	2,424.57	59.39	65.04	91.95	105.59

Value at year ending	Injury Pensions (police officers) 31 March 2013	Injury Pensions (police officers) 31 March 2014	Total 31 March 2013	Total 31 March 2014
	£m	£m	£m	£m
Present value of the defined benefit obligation	55.38	55.92	2,809.43	2,836.15
Fair value of plan assets	0.00	0.00	(191.56)	(185.03)
Sub-total	55.38	55.92	2,617.87	2,651.12
Other movement in the liability (asset)	0.00	0.00	0.00	0.00
Net liability/(asset) arising from the defined benefit obligation	55.38	55.92	2,617.87	2,651.12

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

	Police Pension Scheme (PPS)		New Police Pension Scheme (NPPS)		Injury Pensions (police officers)	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£m	£m	£m	£m	£m	£m
Opening fair value of assets	0.00	0.00	0.00	0.00	0.00	0.00
Remeasurement gains and (losses):-						
- the return on plan assets (excluding the amount included in the net interest expense)	43.24	45.03	(7.25)	(7.99)	0.00	0.00
Employer contributions	25.87	24.31	4.90	5.13	1.43	1.77
Contributions by scheme participants	12.27	12.83	2.11	2.45	0.00	0.00
Benefits Paid	(81.38)	(82.17)	0.24	0.41	(1.43)	(1.77)
Closing fair value of assets	0.00	0.00	0.00	0.00	0.00	0.00

	Local Govt Pension Scheme	
	2012/13	2013/14
	£m	£m
Opening fair value of assets	157.12	191.56
Interest income	7.78	9.22
Remeasurement gains and (losses):-		
- the return on plan assets (excluding the amount included in the net interest expense)	16.59	(20.15)
Employer contributions	11.53	11.65
Contributions by scheme participants	3.66	3.84
Settlements	0.00	(6.91)
Benefits Paid	(5.12)	(4.18)
Closing fair value of assets	191.56	185.03

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

	Police Pension Scheme (PPS)		New Police Pension Scheme (NPPS)		Local Govt Pension Scheme	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£m	£m	£m	£m	£m	£m
Opening Balance - 1 April	(2,168.54)	(2,411.15)	(43.35)	(59.39)	(253.27)	(283.51)
Current Service Cost	(41.79)	(42.68)	(7.45)	(8.46)	(9.58)	(11.04)
Interest Cost	(100.31)	(101.93)	(2.09)	(2.56)	(12.05)	(13.23)
Contributions from scheme participants	(12.27)	(12.83)	(2.11)	(2.45)	(3.66)	(3.84)
Remeasurement (gains) and losses:						
Actuarial gains and (losses) arising:-						
- from changes in experience	0.55	(0.18)	0.01	0.01	0.07	2.48
- from changes in demographic assumptions		(29.04)	0.00	(1.17)	0.00	9.21
- from changes in financial assumptions	(170.17)	91.07	(4.16)	9.39	(9.66)	(6.55)
Liabilities extinguished on settlements		0.00	0.00	0.00	0.00	11.87
Benefits Paid	81.38	82.17	(0.24)	(0.41)	5.12	4.18
Past service costs	0.00	0.00	0.00	0.00	(0.48)	(0.19)
Closing balance - 31 March	(2,411.15)	(2,424.57)	(59.39)	(65.04)	(283.51)	(290.62)

	Injury Pensions (police officers)		Total	
	2012/13	2013/14	2012/13	2013/14
	£m	£m	£m	£m
Opening Balance - 1 April	(48.72)	(55.38)	(2,513.88)	(2,809.43)
Current Service Cost	(1.46)	(1.52)	(60.28)	(63.70)
Interest Cost	(2.26)	(2.34)	(116.71)	(120.06)
Contributions from scheme participants	0.00	0.00	(18.04)	(19.12)
Remeasurement (gains) and losses:				
Actuarial gains and (losses) arising:-				
- from changes in experience	0.01	(0.08)	0.64	2.23
- from changes in demographic assumptions	0.00	(0.64)	0.00	(21.64)
- from changes in financial assumptions	(4.38)	2.27	(188.37)	96.18
Liabilities extinguished on settlements	0.00	0.00	0.00	11.87
Benefits Paid	1.43	1.77	87.69	87.71
Past service costs	0.00	0.00	(0.48)	(0.19)
Closing balance - 31 March	(55.38)	(55.92)	(2,809.43)	(2,836.15)

Note that, whilst not being part of the Police Pension Schemes, injury pensions are shown above for the purposes of completeness. Injury pensions are funded directly by the Chief Constable.

There is a large deficit on the pension schemes overall, and the police pensions schemes in particular. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable remains healthy:

- the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid;
- finance is only required to be raised to cover police pensions when the pensions are actually paid. At present, 100% of the difference between what is paid out to retired members and the sum of contributions from current members and the Chief Constable is met by additional grant from the Home Office.

The total contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2015 are £11.38m. In addition, Strain on Fund Contributions may be required.

Total expected contributions for the Police Pension Schemes are £67.87m. This figure includes both the Chief Constable’s contribution and the Top-Up Grant from the Home Office. In addition, the Chief Constable expects to pay £1.24m directly to beneficiaries of injury pensions.

Basis for estimating assets and liabilities

The liabilities are the estimated present value of the benefit payments due from the scheme in respect of the employer after the accounting reference date, valued using the projected unit method. Allowance is made for expected future increases in pay and pension and assumptions are made regarding mortality rates.

The Chief Constable employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out below. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2014.

Both the Police Scheme and the Local Government Pension Scheme assets and liabilities have been assessed by Aon Hewitt Ltd. The principal assumptions used are as below:

	Local Government Pension Scheme		Police Pension Schemes	
	2012/13	2013/14	2012/13	2013/14
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	**24.0**	**24.4**	**22.6**	**22.9**
Women	**25.0**	**26.2**	**25.0**	**25.4**
Longevity at 65 for future pensioners				
Men	**25.7**	**26.5**	**24.3**	**25.1**
Women	**26.9**	**28.5**	**26.9**	**27.7**
Financial Assumptions:				
Inflation - RPI	**3.40%**	**3.40%**	**3.35%**	**3.30%**
Inflation - CPI	**2.50%**	**2.40%**	**2.45%**	**2.30%**
Rate of general increase in salaries	**4.40%**	**3.90%**	**4.35%**	**3.80%**
Rate of increase to pensions in payment	**2.50%**	**2.40%**	**2.45%**	**2.30%**
Rate of increase to deferred pensions	**2.50%**	**2.40%**	**2.45%**	**2.30%**
Discount rate	**4.7%**	**4.4%**	**4.3%**	**4.3%**
Other Assumptions:				
Take-up of option to convert annual pension into retirement lump sum (90% of members convert this proportion of their pension)	**-**	**-**	**25%**	**25%**
Take-up of option to convert annual pension into retirement lump sum (100% of members convert this proportion of the maximum amount) - pre-01/04/10 service (LGPS only)	**25%**	**-**	-	**-**
As above, post-01/04/10 service (LGPS only)	**75%**	**-**	-	**-**
Assumed surrender by each member on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is the following percentage of the permitted maximum:	**-**	**70%**	-	**-**

Sensitivity of assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions shown previously. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The approximate impact of changing the key assumptions on the present value of the defined benefit obligation as at 31 March 2014 and the projected service cost for the year ending 31 March 2015 is set out below:-

Baseline:-

Police Schemes

Present Value of total obligation (excluding injury benefits) @ 31.3.14 = £2,489.61M
Projected Service cost 2014/15 = £47.14M

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31.3.14 = £290.12M
Projected Service cost 2014/15 = £11.2M

	+ 0.1% p.a.	- 0.1% p.a.	+ 0.1% p.a.	- 0.1% p.a.
Adjustment to discount rate				
* Present value of total obligations (£M)	283.78	296.76	2,448.11	2,533.93
* % change in present value of total obligations	-2.2%	2.3%	-1.7%	1.8%
* Projected service cost (£M)	10.82	11.59	45.52	48.87
* % change in projected service cost	-3.4%	3.5%	-3.4%	3.7%
Rate of general increase in salaries				
* Present value of total obligations (£M)	291.53	288.73	2,497.94	2,481.33
* % change in present value of total obligations	0.5%	-0.5%	0.3%	-0.3%
* Projected service cost (£M)	11.20	11.20	47.97	46.32
* % change in projected service cost	0.0%	0.0%	1.8%	-1.7%
Rate of increase to pensions in payment and deferred pensions				
* Present value of total obligations (£M)	295.36	285.16	2,523.90	2,457.79
* % change in present value of total obligations	1.8%	-1.7%	1.4%	-1.3%
* Projected service cost (£M)	11.61	10.81	48.09	46.27
* % change in projected service cost	3.7%	-3.5%	2.0%	-1.8%
Adjustment to mortality age rating assumption				
	-1 year	+1 year	-1 year	+1 year
* Present value of total obligations (£M)	297.37	282.87	2,546.17	2,433.04
* % change in present value of total obligations	2.5%	-2.5%	2.3%	-2.3%
* Projected service cost (£M)	11.55	10.85	48.60	45.72

The Police Pension Schemes have no assets to cover liabilities. The LGPS assets consist of the following categories, by proportion of the total assets held:

All assets at 31 March 2013		Quoted at 31 March 2014	Unquoted at 31 March 2014
57.6%	Equities	57.6%	3.2%
7.8%	Property	7.5%	0.0%
24.9%	Government bonds	23.5%	0.1%
1.3%	Corporate bonds	1.4%	0.2%
2.3%	Cash	3.8%	0.0%
6.1%	Other (e.g. Hedge funds, currency holdings etc.)	0.2%	2.5%
100.0%	Total	94.0%	6.0%

Note that the value of the above assets per category may be calculated by applying the above percentages to the fair value of the plan assets as at the Balance Sheet date (see above). The figures as at 31 March 2014 are split between those plan assets which had a quoted market price in an active market and those which did not. As this analysis was not collected in the comparator year, no breakdown as at 31 March 2013 is available.

9 – Corporate and Democratic Core

Corporate and Democratic Core (as defined by the Accounting Code of Practice) is that element of the service expenditure analysis which brings together the costs of democratic representation and management and corporate management. Democratic representation and management concerns corporate policy making and all other member-based activities. Corporate management concerns those activities and costs that relate to the general running of the Commissioner's office. For the Commissioner, Corporate and Democratic Core represents the Commissioner's costs (excluding grants) paid out and internal audit costs which are reapportioned as a support service cost over the net cost of service. Corporate and Democratic Core also includes an element of the costs of the Constabulary for time spent supporting and reporting to the Commissioner.

The corporate and democratic core income and expenditure are shown separately on the face of the Comprehensive Income and Expenditure Statement in the analysis in the Net Cost of Police Services section.

10 – Related Parties

The Commissioner and the Group are required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Commissioner or to be controlled or influenced by the Commissioner. Disclosure of these transactions allows readers of the accounts to assess the extent to which the Commissioner 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 Commissioner. In this disclosure, the Chief Constable, as a wholly-owned subsidiary, is included and the note covers the Group as a whole.

The UK Government exerts significant influence through legislation and grant funding. The value of grants received is shown in the Income and Expenditure Account and further details of specific additional grants received are given in note 13.

The Chief Constable makes contributions to pension schemes for both uniformed officers and non-uniformed staff. The Police Pension Schemes are administered by the Chief Constable and the Chief Constable paid £29.438m to the Police Pension Fund as contributions in respect of existing officers and those retiring due to ill-health in the year (£30.775m in 2012/13). The Local Government Pension Scheme is administered by Hampshire County Council and the Chief Constable made employer's contributions of £11.65m in 2013/14 (£11.51m in 2012/13).

The Chief Finance Officer (CFO) to the Commissioner is also the Chief Finance Officer to the County Council. The County Council CFO will thus influence the spending decisions to each authority. The Commissioner's governance arrangements and the Chief Finance Officer's independence and professional status ensure that this relationship is not compromised.

The Code also requires members of the Office of the Police and Crime Commissioner, Chief Officers in the Constabulary and certain other senior officers to declare if there were any related party (e.g. close family or business associates) transactions due to their ability to influence spending decisions. There were no related party transaction disclosures in 2013/14 (none in 2012/13).

The Chief Constable is a trustee of the Blue Lamp Trust, which is a private company, limited by guarantee, providing support to vulnerable people, grants to local schemes which work towards reducing crime, the fear of crime and the risk of fire and operates a driver education and training facility. The Chief Constable’s liability is limited and the purposes of the company will be clear from its memorandum of association; however, as one of a small number of trustees, the Chief Constable exerts influence over the company and its objectives and operations. The Commissioner also made grants to the company to enable it to fulfil its objectives. In 2013/14, grants to the trust and payments for services received by the constabulary totalled £97,500. Whilst not material to the Group, these grants represent a significant proportion of the turnover of the Trust.

11 – Officer and Staff Remuneration

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

The Accounts and Audit Regulations 2011 require the Commissioner 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 Commissioner 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.

	2012/13			2013/14		
Remuneration Band	**Number of employees**			**Number of employees**		
	CC	**PCC**	**Group Total**	**CC**	**PCC**	**Group Total**
£50,000 - £54,999	189	1	190	165	0	165
£55,000 - £59,999	123	0	123	118	0	118
£60,000 - £64,999	61	0	61	65	0	65
£65,000 - £69,999	19	0	19	21	0	21
£70,000 - £74,999	3	0	3	6	0	6
£75,000 - £79,999	5	0	5	6	0	6
£80,000 - £84,999	7	0	7	8	0	8
£85,000 - £89,999	7	0	7	9	1	10
£90,000 - £94,999	1	0	1	3	0	3
£95,000 - £99,999	6	0	6	1	0	1
£100,000 - £104,999	0	0	0	0	0	0
£105,000 - £109,999	1	0	1	0	0	0
£110,000 - £114,999	1	0	1	1	0	1
£115,000 - £119,999	0	0	0	1	0	1
£120,000 - £124,999	2	0	2	3	0	3
£125,000 - £129,999	0	0	0	0	0	0
£130,000 - £134,999	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	1	0	1
£140,000 - £144,999	0	0	0	0	0	0
£145,000 - £149,999	0	0	0	0	0	0
£150,000 - £154,999	2	0	2	0	0	0
£155,000 - £159,999	0	0	0	1	0	1
£160,000 - £164,999	1	0	1	0	0	0
£165,000 - £169,999	0	0	0	0	0	0
to	0	0	0	0	0	0
£205,000 - £209,999	0	0	0	0	1	1
Totals	**428**	**1**	**429**	**409**	**2**	**411**

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 Commissioner. 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 2013/14 and comparative information for 2012/13 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 the distinction between the Office of the PCC and those included in the operating cost statement for the Chief Constable, although in reality all officers and staff are paid by the Commissioner.

2013/14 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
Office of the PCC										
PCC For Hampshire & Isle of Wight	85,000	-	0	0	0	-	85,000	11,135	96,135	
Chief Executive (01/04/2013 to 31/01/2014)	174,638	-	0	32,789	0	-	207,427	9,825	217,252	
Constabulary										
Chief Constable	152,100	-	0	0	3,217	-	155,317	35,665	190,982	
Acting Deputy Chief Constable (01/04/2013 to 02/06/13)	19,257	-	0	0	651	-	19,908	3,781	23,689	
Deputy Chief Constable (03/06/2013 to 31/03/2014)	110,897	-	9,853	0	16,501	-	137,251	25,670	162,921	
Assistant Chief Constabulary - Crime and Criminal Justice	111,690	-	0	0	7,767	-	119,457	25,765	145,222	
Acting Assistant Chief Constabulary - Crime and Criminal Justice (03/06/2013 to 14/10/2013)	38,661	-	0	0	1,386	-	40,047	8,049	48,096	
Assistant Chief Constable - Territorial Operations	116,155	-	1,414	0	4,090	-	121,659	25,765	147,424	
Chief Finance Officer	70,373	-	0	0	1,589	-	71,962	8,040	80,002	3
Head of Human Resources	96,856	-	0	0	590	-	97,446	12,620	110,066	
	975,627	**0**	**11,266**	**32,789**	**35,791**	**0**	**1,055,474**	**166,315**	**1,221,789**	1,2

Note 1: The Treasurer is the statutory Chief Financial Officer. This is a part-time role and the Treasurer's remuneration details are disclosed by Hampshire County Council. A recharge is made to the PCC from the County Council in respect of the time and cost of the statutory role carried out by the Treasurer. This charge was £38,500 (This figure include all Employers Oncosts)

Note 2: The Chief Executive for the PCC from 1st February is being supplied by Hampshire County Council until the postion is recruited into. This is a part-time role and the Officer providing this function is included within the remuneration details are disclosed by Hampshire County Council. A recharge is made to the PCC from the County Council in respect of the cost of the Chief Executive. This charge was £6,037 (This figure includes all Employers Oncosts)

Note 3: The Chief Finance Officer for Hampshire Constabulary was TUPE under Joint Working to H3 from 1st February 2014. This is a full-time role and the Officer providing this function is included within the remuneration details are disclosed by Hampshire County Council. A recharge is made to the Constabulary from the County Council in respect of the cost of the Chief Finance Officer. This charge was £15,282.08 (This figure includes all Employer Oncosts)

2012/13 Disclosure
Post holder information

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
Office of the PCC										
PCC For Hampshire & Isle of Wight (started 19/11/12)	30,458	-	-	-	-	-	30,458	3,990	34,448	
Chief Executive	90,000	-	-	-	-	-	90,000	11,790	101,790	
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	
	839,676	**19,258**	**1,536**	**109,237**	**18,477**	**0**	**988,184**	**128,233**	**1,116,417**	1,2

Note 1: The Director of Corporate Resources at Hampshire County Council (HCC) has a part-time role as the statutory Chief Financial Officer to the PCC. Her remuneration details are disclosed by HCC and a recharge is received in respect of the time and cost of this role. In 2012/13 this charge was £38,500.

Note 2: 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.

Exit Packages in Bands of £20,000

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13 No.	2013/14 No.	2012/13 No.	2013/14 No.	2012/13 No.	2013/14 No.	2012/13 £'000	2013/14 £'000
£0 - £20,000	3	9	43	37	46	46	319	300
£20,001 - £40,000	0	0	1	0	1	0	32	0
£40,001 - £60,000	0	0	0	1	0	1	0	49
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	1	0	1	0	82	0
£100,001 - £150,000	0	0	0	1	0	1	0	146
Additional provision in the Comprehensive Income and Expenditure Statement	1	22	2	7	3	29	24	149
Reversal of previous year's provision (included in bandings in following year when payments due)	0	(1)	(39)	(2)	(39)	(3)	(318)	(24)
Totals	**4**	**30**	**8**	**44**	**12**	**74**	**140**	**620**

The Comprehensive Income and Expenditure Statement includes a provision of £0.149m which has been agreed and is payable to 29 officers; these costs are not included in the bands and therefore an additional line has been added to reconcile to the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement. An additional line has also been added to ensure that provisions included in the prior year are not double-counted when payments are made in the following year.

In addition to the payments made to staff leaving the organisation, the Chief Constable also made payments to the Local Government Superannuation Scheme which it bears as the employer for the early retirement of eligible staff who are made redundant. Charges to the Comprehensive Income and Expenditure Statement to cover the actual or expected payments due amounted to £0.366m in 2013/14 (£0.189m in 2012/13).

12 – Termination Benefits

The Chief Constable terminated the contracts of a number of employees in 2013/14, incurring liabilities of £0.620m (£0.140m in 2012/13). See note 11 for the number of exit packages and total cost per band.

13 – Grant Income – Group and Commissioner

The Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

2012/13 £'000		2013/14 £'000
	Credited to Taxation and Non-Specific Grant Income	
(101,975)	Council Tax Precept	(96,272)
(71,036)	Share of National Business Rates	(67,446)
(131,181)	Police Grant	(133,621)
0	Council tax benefit grant	(10,390)
0	Council tax freeze grant	(2,520)
0	Council tax transition grant	(215)
0	Community Safety Fund	(1,459)
(1,404)	Revenue Support Grant	(1,307)
(3,086)	Government Grant to Finance Capital Expenditure	(3,631)
(308,682)	**Total**	**(316,861)**

2012/13 £'000	**Credited to Services**	2013/14 £'000
(7,564)	Neighbourhood Policing Fund/Community Support Officers	0
(3,701)	Dedicated Security Posts grant	(3,889)
(1,357)	ACPO Criminal Records Office	(2,233)
0	Restorative Justice/Victims Support grant	(137)
(269)	Counter terrorism grant	0
(42)	National Police Air Service project	(3)
0	Innovation Fund	(145)
(30)	Local Criminal Justice Board	(10)
(1,623)	Special grant - Olympics	0
(135)	Youth Crime Prevention	0
(61)	Miscellaneous grants	(60)
(14,782)	**Total**	**(6,477)**

The Community Safety Fund is a grant provided to PCCs for commissioning services that help tackle drugs and crime, reducing re-offending, and improving community safety in their force area. As an non-ringfenced grant from the Home Office, this is credited to taxation and non-specific grant income as required by the Accounting Code of Practice.

Most of the taxation and non-specific grant income is credited to the CIES of the Commissioner, and the majority of specific grants and contributions are recorded in the Chief Constable's CIES. The table below shows the analysis across the group:-

2012/13 PCC £'000	2012/13 CC £'000		2013/14 PCC £'000	2013/14 CC £'000
		Credited to Taxation and Non-Specific Grant Income		
(101,975)	0	Council Tax Precept	(96,272)	0
(71,036)	0	Share of National Business Rates	(67,446)	0
(131,181)	0	Police Grant	(133,621)	0
0	0	Council tax benefit grant	(10,390)	0
0	0	Council tax freeze grant	(2,520)	0
0	0	Council tax transition grant	(215)	0
0	0	Community Safety Fund	(1,459)	0
(1,404)	0	Revenue Support Grant	(1,307)	0
(3,086)	0	Government Grant to Finance Capital Expenditure	(3,631)	0
(308,682)	**0**	**Total**	**(316,861)**	**0**
		Credited to Services		
0	(7,564)	Neighbourhood Policing Fund/PCSO's	0	0
0	(3,701)	Dedicated Security Posts grant	0	(3,889)
0	(1,357)	ACPO Criminal Records Office	0	(2,233)
0	0	Restorative Justice/Victims Support grant	(137)	0
0	(269)	Counter terrorism grant	0	0
0	(42)	National Police Air Service project	0	(3)
0	0	Innovation Fund	0	(145)
0	(30)	Local Criminal Justice Board	0	(10)
0	(1,623)	Special grant - Olympics	0	0
(135)	0	Youth Crime Prevention	0	0
0	(61)	Miscellaneous grants	0	(60)
(135)	**(14,647)**	**Total**	**(137)**	**(6,340)**

The Commissioner has received a number of grants that have yet to be recognised as income as they have conditions attached to them. If the conditions are not satisfied the grant will be returned to the giver. These grants may be of a revenue or a capital nature and may be incorporated in the accounts as either current liabilities (i.e. the conditions are expected to be met or the funds returned within 12 months of the balance sheet date) or long-term liabilities (i.e. where the period is greater than 12 months). The balances at the year end are as follows:-

Current Liabilities

Grants Receipts in Advance - Capital Grants

2012/13 £'000		2013/14 £'000
(6,052)	National Police Air Service implementation	0
(6,052)		**0**

Grants Receipts in Advance - Revenue Grants

2012/13 £'000		2013/14 £'000
(170)	Local Area Agreement performance reward grant	(154)
0	Restorative Justice/Victims Support Grant	(580)
(931)	EU grant for ACRO	(769)
(68)	Other miscellaneous grants	(55)
(1,169)		**(1,558)**

14 – Adjustments between accounting basis and funding under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Commissioner in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Commissioner to meet future capital and revenue expenditure.

Note that the tables following represent the adjustments for the Group as a whole. The majority of the adjustments relate to the accounts of the Commissioner. The exceptions to this are the adjustments in respect of the Pensions Reserve and the Accumulated Absences Account, which relate to the Chief Constable's accounts.

2013/14

	Usable Reserves					
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	9,730					(9,730)
Revaluation losses on Property Plant and Equipment	61					(61)
Amortisation of intangible fixed assets	0					0
Capital grants and contributions applied	(3,631)					3,631
Revenue expenditure funded from capital under statute	210					(210)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	2,651					(2,651)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(1,852)					1,852
Capital expenditure charged against the General Fund						0

2013/14

	Usable Reserves					
	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital (Revenue Contributions) Reserve £'000	Capital Grants Unapplied £'000	Movement In Unusable Reserves £'000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement					0	
Application of grants to capital financing transferred to the Capital Adjustment Account						
Adjustments primarily involving the Capital Receipt Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,838)		2,838			
Use of the Capital Receipts Reserve to finance new capital expenditure			(1,768)			1,768
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
Adjustments primarily involving the Capital (Revenue Contributions) Reserve:						
Reversal of net sum set aside in the Comprehensive Income and Expenditure Statement to cover capital expenditure not funded from other capital resources	(1,406)			1,406		
Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure				(2,231)		2,231

2013/14

	Usable Reserves					
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(28)					28
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	169,770					(169,770)
Employer's pensions contributions and direct payments to pensioners payable in the year	(42,858)					42,858
Adjustments primarily involving the Collection Fund Adjustment Account :						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,253)					1,253
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(349)					349
Total Adjustments	128,207	0	1,070	(825)	0	(128,452)

2012/13

	Usable Reserves					
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	13,900					(13,900)
Revaluation losses on Property Plant and Equipment	49					(49)
Amortisation of intangible fixed assets	0					0
Capital grants and contributions applied	(3,086)					3,086
Revenue expenditure funded from capital under statute	59					(59)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	726					(726)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(2,015)					2,015
Capital expenditure charged against the General Fund						0

2012/13	Usable Reserves					
	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital (Revenue Contributions) Reserve £'000	Capital Grants Unapplied £'000	Movement In Unusable Reserves £'000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0				0	
Application of grants to capital financing transferred to the Capital Adjustment Account					0	0
Adjustments primarily involving the Capital Receipt Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(626)		626			
Use of the Capital Receipts Reserve to finance new capital expenditure			(626)			626
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
Adjustments primarily involving the Capital (Revenue Contributions) Reserve:						
Reversal of net sum set aside in the Comprehensive Income and Expenditure Statement to cover capital expenditure not funded from other capital resources	(2,630)			2,630		
Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure				(2,946)		2,946

2012/13

	Usable Reserves					
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(34)					34
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	167,110					(167,110)
Employer's pensions contributions and direct payments to pensioners payable in the year	(43,735)					43,735
Adjustments primarily involving the Collection Fund Adjustment Account :						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	43					(43)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	433					(433)
Total Adjustments	130,194	0	0	(316)	0	(129,878)

15 – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund Expenditure in 2013/14.

	Balance 31 March 2012	Transfers 2012/13 Out	Transfers 2012/13 In	Balance 31 March 2013	Transfers 2013/14 Out	Transfers 2013/14 In	Balance 31 March 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ACRO Surety	1,750	0	500	2,250	0	1,844	4,094
AVCIS Surety	0	0	300	300	0	0	300
Carry Forward Reserve	5,031	(5,031)	11,562	11,562	(8,490)	11,354	14,426
Commissioning Reserve	0	0	0	0	0	1,976	1,976
Equipment Reserve	1,000	0	0	1,000	0	0	1,000
Insurance Reserve	894	0	0	894	0	0	894
Laboratory Reserve	0	0	0	0	(47)	100	53
Netley Business Plan	98	0	30	128	0	22	150
Performance Reserve	2,500	(800)	0	1,700	0	0	1,700
Revenue Grants Unapplied	644	(470)	56	230	(55)	53	228
Risk Reserve	0	0	6,689	6,689	0	0	6,689
Spend to Save Reserve	386	(386)	0	0	0	0	0
Transformation Reserve	23,641	(7,724)	5,120	21,037	(4,450)	8,367	24,954
Total	35,944	(14,411)	24,257	45,790	(13,042)	23,716	56,464

Earmarked reserves are held for the following purposes:

- The ACRO surety is a sum held to meet any liabilities in the event that the ACRO service is ceased or transferred out of the Commissioner's stewardship at short notice;
- The AVCIS surety is a sum held in the event that the ACPO Vehicle Crime Intelligence Service is ceased or transferred out of the Commissioner's stewardship at short notice;
- The Carry Forward Reserve is for approved budget carry forwards from surpluses generated from devolved budgets or from the ACPO Criminal Records Office (ACRO);
- The Commissioning Reserve is used for grant funding schemes established by third parties who support the priorities in the Police and Crime Plan. Previously known as the Protecting People and Places Reserve, this was set up with using the unspent balance from a one-off budget in the OPCC's revenue account in 2013/14 and is a major element of the funding for the PCC's Commissioning Plan 2013/17;
- The Equipment reserve acts as a sinking fund to pay for the regular replacement of essential equipment such as body armour and Chemical Biological, Radiological and Nuclear (CBRN) kit. The intention is to provide a facility for contributions to be made, ideally on an annual basis, to smooth out the cost of large scale replacements

- The Insurance Reserve is held to meet the costs of any unforeseen increases in settlements made during the year;
- The Laboratory Reserve is available to pay for renewal of equipment as part of a joint scheme with Hampshire County Council. This reserve will be used periodically and replenished in between;
- The Netley Business Plan holds the accumulated surpluses of the net trading activity of the use of the Netley site for functions such as weddings. The surplus is held for subsequent reinvestment in the site;
- The Performance Reserve is held with the purpose of boosting performance at a time when forces nationally have to contend with budget reductions, whilst directly meeting the priorities of the Commissioner and Force;
- The Revenue Grants Unapplied reserve holds grants for which there are no outstanding conditions but where the expenditure has not been incurred at the year end. When expenditure is subsequently incurred, a transfer is made from this reserve to the General Fund reserve to replenish that reserve;
- The Risk Reserve has been established as a contingency against delays or shortfalls in achieving savings or further and unexpected budget reductions;
- The Spend to Save reserve was closed in 2012/13, having been held to pump prime initiatives that needed initial investment to generate future efficiencies;
- The Transformation reserve is held to meet the necessary costs of changing structures and processes in the force to ensure that performance is maintained in an environment of reduced and reducing budgets.

16 – Other usable reserve – Capital (Revenue Contributions) Reserve

The Capital (Revenue Contributions) Reserve receives sums from the revenue budget to fund future capital expenditure. These sums may be part of the original budget or additional sums earmarked during the year for capital schemes. Where a scheme is proposed but does not ultimately happen or does not require all of the funds identified, contributions are returned to the revenue budget.

2012/13 £'000		2013/14 £'000
2,131	**Balance at start of year**	**1,815**
2,630	Contributions received in year	1,954
(2,946)	Contributions applied to finance capital expenditure	(2,231)
0	Contributions returned to revenue	(548)
1,815	**Balance at end of year**	**990**

17 – Other operating income/expenditure

2012/13 £'000		2013/14 £'000
1,012	Levies to National Police Services	1,825
(35,985)	Home Office Police Pension Fund Top-up Grant	(37,042)
35,985	Transfer of Home Office Grant to the Police Pension Fund	37,042
150	(Gains)/losses on the disposal of non-current assets	(126)
1,162		1,699

18 – Financing and investment income and expenditure

18.1 Financing and investment income and expenditure - Group

2012/13 £'000		2013/14 £'000
1,654	Interest payable and similar charges	1,553
107,990	Pensions interest cost and expected return on pension assets	110,840
(689)	Interest receivable and similar income	(603)
0	Other investment income	(28)
108,955		111,762

18.2 Financing and investment income and expenditure - PCC

2012/13 £'000		2013/14 £'000
1,654	Interest payable and similar charges	1,553
(689)	Interest receivable and similar income	(603)
0	Other investment income	(28)
965		922

19 – Property, Plant and Equipment (PP&E) movements – Group and Commissioner

Property, Plant and Equipment Movement on balances

This statement summarises capital expenditure incurred on fixed assets which will be of use to the Group in future financial years. Future, as well as current, taxpayers will benefit from these assets and such costs are therefore not necessarily charged to the revenue account in the year that the asset is acquired. All non-operational assets are assets under construction. When these are completed and brought into use the asset is reclassified.

As there is no distinction between the Group and the Commissioner, there is no separate statement for the Commissioner. Additionally, as the Chief Constable does not hold any assets, there is no requirement to produce a statement for that entity.

Movement on balances 2013/14

	Land and Buildings £'000	Vehicles a Plant £'000	Furniture and Equipmen £'000	Assets un construct £'000	Surplus Assets £'000	Total Property, Plant and Equipmen £'000
Cost or valuation						
At 31 March 2013	**143,101**	**17,917**	**9,710**	**3,049**	**4,500**	**178,277**
Adjustment to opening balance	**(162)**		**(316)**	**(29)**		(507)
Revised value as at 31 March 2013	**142,939**	**17,917**	**9,394**	**3,020**	**4,500**	**177,770**
Additions in year	0	3,112	3,781	589	0	7,482
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6	0	0	0	83	89
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	(628)	(2,614)	0	0	0	(3,242)
Derecognition - Other	0	0	(1,143)	(405)	0	(1,548)
Assets reclassified (to)/from held for sale	(4,792)	0	0	0	465	(4,327)
Other movements in cost or valuation	(1,695)	12	0	(490)	1,695	(478)
At 31 March 2014	**135,830**	**18,427**	**12,032**	**2,714**	**6,743**	**175,746**
Accumulated depreciation and Impairment						
At 31 March 2013	**(9,047)**	**(10,258)**	**(3,781)**	**(29)**	**0**	**(23,115)**
Adjustment to opening balance	**162**	**0**	**316**	**29**	**0**	507
Revised value as at 31 March 2013	**(8,885)**	**(10,258)**	**(3,465)**	**0**	**0**	**(22,608)**
Depreciation Charge	(2,382)	(2,138)	(2,478)	0	(22)	(7,020)
Depreciation written out on revaluation	0	0	0	0	28	28
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	0	(38)	0	0	0	(38)
Derecognition - Disposals	45	2,123	0	0	0	2,168
Derecognition - Other	18	0	1,143	0	0	1,161
Assets reclassified (to)/from held for sale	375	0	0	0	0	375
Other movements in depreciation and impairment	28	0	0	0	(28)	0
At 31 March 2014	**(10,801)**	**(10,311)**	**(4,800)**	**0**	**(22)**	**(25,934)**
Net Book Value						
At 31 March 2014	**125,029**	**8,116**	**7,232**	**2,714**	**6,721**	**149,812**
At 31 March 2013	**134,054**	**7,659**	**5,929**	**3,020**	**4,500**	**155,162**

Movement on balances 2012/13

	Land and Buildings £'000	Vehicles and Plant £'000	Furniture and Equipment £'000	Assets under construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or valuation						
At 31 March 2012	**144,008**	**15,801**	**13,191**	**12,198**	**1,220**	**186,418**
Adjustment to opening balance	**(330)**	**263**	**(7,049)**			(7,116)
Revised value as at 31 March 2012	**143,678**	**16,064**	**6,142**	**12,198**	**1,220**	**179,302**
Additions in year	828	3,228	3,568	3,382	0	11,006
Revaluation increases/(decreases) recognised in the Revaluation Reserve	532	0	0	0	250	782
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	(7,511)	(7,511)
Derecognition - Disposals	0	(1,895)	0	0	0	(1,895)
Derecognition - Other	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	(1,937)	0	0	0	(1,470)	(3,407)
Other movements in cost or valuation		520		(12,531)	12,011	0
At 31 March 2013	**143,101**	**17,917**	**9,710**	**3,049**	**4,500**	**178,277**
Accumulated depreciation and Impairment						
At 31 March 2012	**(6,976)**	**(9,312)**	**(9,124)**	**0**	**(64)**	**(25,476)**
Adjustment to opening balance	**330**	**(263)**	**7,049**			7,116
Revised value as at 31 March 2012	**(6,646)**	**(9,575)**	**(2,075)**	**0**	**(64)**	**(18,360)**
Depreciation Charge	(2,450)	(2,148)	(1,706)		(35)	(6,339)
Depreciation written out on revaluation	64	0	0	0	89	153
Impairment (losses)/ reversals recognised in the Revaluation Reserve	(100)	0	0	0	0	(100)
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	(29)	0	(29)
Derecognition - Disposals	0	1,465	0	0	0	1,465
Derecognition - Other	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	85	0	0	0	10	95
Other movements in depreciation and impairment	0	0	0	0	0	0
At 31 March 2013	**(9,047)**	**(10,258)**	**(3,781)**	**(29)**	**0**	**(23,115)**
Net Book Value						
At 31 March 2013	**134,054**	**7,659**	**5,929**	**3,020**	**4,500**	**155,162**
At 31 March 2012	**137,032**	**6,489**	**4,067**	**12,198**	**1,156**	**160,942**

Impairment Review

There is a requirement under the Code each year to review fixed assets for evidence of impairment, which may be occasioned by a permanent consumption of economic benefits - e.g. as a result of a fire - or by a general reduction in prices or value. No assets were considered to have been impaired at the end of 2013/14.

Capital commitments

As at 31 March 2014 the Commissioner had committed capital expenditure of £1.990m. This was related to land and buildings, including retention payments for completed properties (£0.757m) and the vehicle fleet replacement programme (£1.203m).

Intangible assets

Prior to the introduction of IFRS, intangible assets were shown in the same disclosure as what are now property, plant and equipment assets. These are now shown separately. However, the Commissioner has no material intangible assets and those which he does have are fully amortised.

20 – Valuation Information

The Commissioner carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

The statement below shows the progress of the Commissioner's rolling programme for the revaluation of property, plant and equipment assets. The Force's dwellings (i.e. beat houses) were revalued in 2010/11 and the operational buildings were revalued in 2011/12 by in-house, suitably-qualified professionals. No formal revaluations were carried out in 2013/14, with the exception of surplus assets and assets held for sale which are valued at fair value (i.e. market value) less costs to sell, which is based on suitable market valuations.

Other valuations are carried out when there has been a change of use or any evidence of impairment. The basis for valuation is set out in the statement of accounting policies.

Valued:	Land and buildings £'000	Vehicles and plant £'000	Furniture and equipment £'000	Assets under construction £'000	Surplus assets £'000	Total property, plant and equipment £'000
At historical cost	30	8,119	7,233	2,714	0	18,096
At fair value in:						
2009/10	2,389	0	0	0	0	2,389
2010/11	33,031	0	0	0	0	33,031
2011/12	89,313	0	0	0	0	89,313
2012/13	262	0	0	0	0	262
2013/14	0	0	0	0	6,721	6,721
Total	125,025	8,119	7,233	2,714	6,721	149,812

Measurement Bases

The following measurement bases are used for each category of Property, Plant and Equipment:

- Infrastructure, community assets, furniture and equipment, vehicles and plant – Depreciated historic cost;
- Dwellings – market value;
- Other operational land and buildings - Existing Use Value (EUV) or Depreciated replacement cost (DRC) if EUV cannot be determined;
- Assets under construction – Historic cost (not subject to depreciation until operational);
- Surplus assets – EUV or DRC of last operational use

21 – Assets held for sale

Subject to meeting certain tests an asset may be defined as 'held for sale' and measured at the lower of its carrying value and its fair value less costs to sell. In most cases such assets will be deemed to be 'current', meaning that they are expected to be sold within 12 months of being re-classified. In rare instances, where a sale is delayed and is likely to take it beyond 12 months from the balance sheet date, the asset may be re-classified as non-current. Where an asset no longer meets the test of being held for sale it will be de-classified. Assets held for sale are not subject to depreciation charges.

	Current		Non-Current	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Balance outstanding at start of year	**1,064**	**3,857**	**0**	**0**
Assets newly classified as held for sale:				
- Property, Plant and Equipment	3,263	4,353	0	0
Revaluation gains/(losses)	(174)	(1,504)	0	0
Assets declassified as held for sale:				
* Property, Plant and Equipment	0	(461)	0	0
* Intangible Assets	0	0	0	0
* Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(296)	(1,576)	0	0
Balance outstanding at year-end	**3,857**	**4,669**	**0**	**0**

The Commissioner holds a number of assets which meet the tests of being held for sale as at the Balance Sheet date. The majority of these assets are former police stations and beat houses which are being disposed of as part of the estate change programme, with the capital receipts generated being used to fund the remainder of a programme designed to provide 21st Century policing from appropriate locations, including shared use and third party premises.

22 – Capital financing requirement

2012/13 £'000	Capital financing and expenditure	2013/14 £'000
45,908	*Opening Capital Financing Requirement*	48,140
	Capital investment	
7,625	Operational assets	6,893
3,382	Non-operational assets	589
58	Revenue Expenditure funded from capital under statute	210
	Sources of finance	
(786)	Capital receipts	(1,830)
(3,086)	Government grants and contributions	(3,631)
(2,946)	Use of reserves (RCCO)	(2,231)
(2,015)	Sums from revenue (MRP)	(1,852)
48,140	*Closing Capital Financing Requirement*	**46,288**
	Explanation of movements in year	
2,232	Increase/(Decrease) in underlying need to borrow	(1,852)
2,232	*Increase/(decrease) in Capital Financing*	**(1,852)**

£7.48m of capital expenditure was on fixed assets as shown above, with a small sum being expended on premises which the Commissioner does not own but is occupied by his staff and officers under joint-working arrangements. The expenditure on non-operational assets in 2013/14 relates to the continuing expenditure on the programme to rationalise operational property across the force area, to provide neighbourhood offices for safer neighbourhood teams and for the relocation of the operational headquarters for the Constabulary.

Under the Prudential Code arrangements, the Commissioner is permitted to borrow money to finance capital expenditure as long as the borrowing is prudent, affordable and sustainable. No new borrowing was taken out in 2013/14 (£0m in 2012/13).

23 – Leases

23.1 Commissioner as Lessee

Finance Leases

The Commissioner has one building which it has acquired under a finance lease under IAS17. He has not identified any other assets which have been acquired under finance leases. The operational building is carried as Property, Plant and Equipment in the Balance Sheet at the following net amount:

31 March 2013 £'000		31 March 2014 £'000
3,298	Other Land and Buildings	3,259
0	Vehicles, Plant, Furniture and Equipment	0
3,298	**Total**	3,259

The Commissioner paid a premium when he took the building on a 999-year lease in March 2001 and is paying a peppercorn rent for the remainder of the lease term. These minimum lease payments are thus not recognised as a long-term liability in the Commissioner's accounts due to the value being de minimis. The annual lease payment is recognised as a revenue expense.

Operating Leases

The Commissioner leases a number of operational buildings. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2013 £'000		31 March 2014 £'000
1,277	Not later than one year	1,233
3,114	Later than one year and not later than five years	2,664
267	Later than five years	568
4,658	**Total**	4,465

The expenditure charged to the net cost of services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2013 £'000		31 March 2014 £'000
1,347	Minimum lease payments	1,204
1,347	**Total**	1,204

23.2 Commissioner as Lessor

No significant property, plant, equipment or other assets are leased, either as finance leases or operating leases. A number of aerial sites are leased to third parties for use and the annual income received under such arrangements is in the region of £22,000. The agreements in respect of such sites are varied but the Commissioner would expect to receive the same level of income from such agreements each year over the medium-term.

24 – Insurance Provisions

The Police Commissioner does not have an insurance provision but does hold a reserve of £894,000 (£894,000 at 31 March 2013). The Commissioner self insures lower amounts but externally insures against larger risks such as loss/damage to assets and other potential liabilities.

25 – Financial Instruments

25.1 Introduction

A financial instrument is defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another".

The term ‘financial instrument’ covers both financial assets and financial liabilities. These range from straightforward trade receivable and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Commissioner’s borrowing, finance leases and investment transactions are also classified as financial instruments.

In accordance with these standards, financial assets and financial liabilities should be measured initially at fair value less transaction costs. Fair value is the amount for which an asset could be exchanged or a liability settled. The best evidence for fair value on initial recognition is the transaction price. The financial assets of the Commissioner which fall within the definition of financial instruments, principally cash deposits, long-term debtors, accounts receivable and temporary lending, are classified as loans and receivable financial instruments. The financial liabilities of the Commissioner falling within the definition, principally accounts payable and temporary and long-term borrowing, are classified as financial liabilities at amortised cost (i.e. borrowings) or financial liabilities carried at contract amount. Current operational creditors are valued at contract amount given their short-term nature.

The following categories of financial instrument are carried in the Balance Sheet:

	Long - term		Current	
	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000
Investments				
Loans and receivables	3,350	13,000	37,000	37,250
Total investments	**3,350**	**13,000**	**37,000**	**37,250**
Debtors				
Loans and receivables	643	689	30,783	18,460
Total Debtors	**643**	**689**	**30,783**	**18,460**
Borrowings				
Financial liabilities at amortised cost	35,950	37,164	1,215	1,215
Total borrowings	**35,950**	**37,164**	**1,215**	**1,215**
Creditors				
Financial liabilities at amortised cost	0	0	29,724	12,815
Total creditors	**0**	**0**	**29,724**	**12,815**

Creditor balances are for operational or contractual creditors only and exclude government creditors (local and central), collection fund creditors, short-term borrowing and the accrual for employee benefits. Debtor balances are also for operational or contractual debtors and exclude payments in advance, government debtors (local and central), collection fund debtors and the provision for bad debts. As a consequence of these exclusions, the creditor and debtor balances will differ from that shown on the face of the Balance Sheet.

25.2 Income, Expense, Gains and Losses

	2012/13			2013/14		
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Total £'000
Interest expense	1,583	0	**1,583**	1,505	0	**1,505**
Impairment losses	71	0	**71**	0	0	**0**
Total expense in Surplus or Deficit on the Provision of Services	**1,654**	**0**	**1,654**	**1,505**	**0**	**1,505**
Interest income	0	689	**689**	7	596	**603**
Total income in Surplus or Deficit on the Provision of Services	**0**	**689**	**689**	**7**	**596**	**603**
Net gain / (loss) for the year	**(1,654)**	**689**	**(965)**	**(1,498)**	**596**	**(902)**

25.3 Fair values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- PWLB rates have been discounted at the published interest rates for new certainty rate loans arranged on 31st March;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2013 Carrying amount £'000	31 March 2013 Fair value £'000		31 March 2014 Carrying amount £'000	31 March 2014 Fair value £'000
51,194	59,232	Financial liabilities	66,889	71,767
0	0	Long-term creditors	0	0

31 March 2013 Carrying amount £'000	31 March 2013 Fair value £'000		31 March 2014 Carrying amount £'000	31 March 2014 Fair value £'000
68,710	68,770	Loans and receivables	71,133	71,133
689	689	Long-term debtors	643	643

Liabilities

The fair values of the liabilities are calculated in the context of interest rates applicable for similar liabilities at the balance sheet date. As at the balance sheet date of 31 March 2014 and the previous year end, the fair value of the liabilities are higher than the carrying amount of the liabilities on these dates because the Commissioner's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet dates. This shows a notional loss (based on economic conditions at the balance sheet date) arising from a commitment to pay interest to lenders above current market rates at that time.

Assets

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Long term debtors shown on the balance sheet consist of car loans and housing assistance loans. The carrying value of both types of long-term debtor is fair value.

Car loans are relatively short-term advances to staff and total approximately £4,500 at 31 March 2014 (£15,500 at 31 March 2013). Market rates of interest are charged on these loans and the fair value is considered to be the value of the loans outstanding at the balance sheet date.

Housing assistance loans were offered to police officers and operational police staff between 2004/05 and 2007/08. Interest free loans of up to £20,000 were made. A charge was placed on the property purchased and this becomes repayable at the end of 15 years or earlier in the case of a sale. Because the prevailing interest rate at the time the advance was made was greater than the actual rate of interest applied (i.e. 0%) in accordance with the previous SORP, transactions of this nature are termed 'soft loans'. As such, the fair value of such loans is less than the amount of the cash lent. The sum by which the amount lent exceeds the fair value of the loan must be charged to the Income and Expenditure Account.

Between 2004/05 and 2007/08 £0.92m was advanced and at the end of March 2014 the outstanding sum was £0.66m (£0.72m at 31 March 2013). Loans totalling £62,400 were repaid during the financial year. In accordance with the Code these loans have been written-down to their fair value which reflects the interest foregone by making interest free loans. This interest foregone forms a charge on the income and expenditure account on initial recognition (i.e. the year the advance is made) although there is an accounting adjustment to mitigate any potential impact upon the general fund balance. The interest presumed to have been foregone is written back to the balance sheet through the income and expenditure account, over the expected life of the loan. On the basis that these loans are for an individual's first property purchase and have a maximum life of 15 years, with some already having been repaid, an average expected life of 8 years has been assumed.

On the basis of the above, the fair value of housing assistance loans is £0.64m (£0.67m at 31 March 2013). The Financial Instruments Adjustment Account is the balance sheet account which records these adjustments to the value of the soft loans.

25.4 Trade Receivables (Debtors)

Within debtors, accounts receivable, classified as receivable financial instruments, are due within one year with no interest being payable. As such, the fair value of these receivables is the same as the original invoice amount. Other debtor balances such as payments in advance and government debtors (relating, for example, to vat refunds due and rates) are non contractual and outside the scope of the "financial instruments" regulations.

31 March 2013 £'000		**31 March 2014 £'000**
18,460	Receivable financial instruments	30,783

No trade debtors were impaired during the year (£71,541 in 2012/13) for debt (or proportions thereof) deemed uncollectable.

25.5 Loans and receivables – long-term

In accordance with the Annual Investment Strategy, £3.350m of surplus cash was invested in a total of three loans at the balance sheet date, with various dates of maturity between 21.04.16 and 18.11.16, all with UK local authorities as counterparties. With interest rates being fixed at rates which are close to the discount rate and these investments being repaid at various points during this period, the fair value of these investments is £3.352m. This difference is not significant and the investments are held at carrying value as a proxy for fair value at the Balance Sheet date.

25.6 Trade Payables (Creditors)

Trade payables (creditors), classified as financial liabilities, are paid within 30 days of the date shown on the invoice. As such, the fair value of these liabilities is the same as the original invoice amount.

31 March 2013 £'000		31 March 2014 £'000
12,815	Trade Payables (Creditors)	29,724

25.7 Financial liabilities at amortised cost (Long-term borrowing)

The Commissioner's borrowing strategy for 2013/14 was set in February 2013. The strategy for borrowing was to continue to take a more proactive approach to managing the portfolio of existing borrowing. This approach would look for opportunities which might arise in an environment of changing interest rates to refinance some borrowing to offer improved revenue costs of capital financing. However, it was recognised that the gap between short and long term interest rates creates a “cost of carry” for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on borrowing and what is earned on the investment. No new long-term borrowing was taken out due to a combination of la limited requirement to resource the capital programme, the cost of carry and the level of internal balances and reserves which are available for temporary financing. This difference between short and long term interest rates is expected to continue until 2016 or beyond.

The Commissioner has 20 fixed long-term loans from the Public Works Loans Board (PWLB). These are analysed below:-

Analysis of loans by maturity	Average interest rate (Current)	Outstanding loans 31 March 2013 £'000	31 March 2014 £'000
Less than 5 years	2.88%	6,571	6,214
Between 5 and 10 years	3.38%	2,108	1,600
Between 10 and 15 years	4.88%	700	350
Between 15 and 20 years	4.22%	8,000	12,000
Between 20 and 25 years	4.31%	19,000	17,000
More than 25 years	0.00%	2,000	0
		38,379	**37,164**

The Code requirements in respect of accounting for financial instruments apply to long-term borrowing. There is a requirement to show the fair value of the Commissioner's fixed rate loans. This effectively shows the fair value of each loan in the context of rates applicable for similar loans at the balance sheet date. The PWLB calculates the fair value on these loans on the basis of what it would cost to redeem the loans early. Thus, if current interest rates are lower than the loan rate, then the repayment sum will be higher than the principal amount. Where current interest rates are higher than the rate of an existing fixed rate loan, this works in reverse and makes the fair value higher than the book value. However, the Code of Practice notes that the PWLB rate is based on the early repayment of debt and that an alternative valuation would be based on the rates applicable to new loans. Both of these methods have some validity and both are provided.

Much of the Commissioner's loan portfolio of £37.2m was taken out between 2008/09 and 2011/12 (£34m). The PWLB loans had a fair value – based on the repayment rate - of £42.0m at 31 March 2014 (£46.4m at 31 March 2013). The fair value based on the new loan rate was £37.7m at 31 March 2014 (£41.4m at 31 March 2013).

25.8 Financial guarantee contracts

When a financial guarantee is given, whereby the liabilities of a third party are guaranteed in the event of a default, the Code requires that this is recognised in the accounts at fair value. The fair value is assessed in relation to the level of the financial guarantee and the probability of this being called.

By being the signatory to property leases and by being the employer of all of the staff, the Commissioner has effectively guaranteed the lease payments for premises occupied by the ACPO Criminal Records Office (ACRO) and the ACPO Vehicle Crime Intelligence Service (AVCIS). However, in respect of the ACRO and AVCIS premises and any prospective redundancy costs, sureties have been received and are held as deposits in the event that the services are discontinued. The sums held represent the maximum liability to pay outstanding leasing payments under the lease and any redundancy costs which may arise. As such, these sums are not premia paid to the Commissioner for bearing a potential risk. Rather, these are deposits held to pay all sums due in the event of either of these services ceasing with insufficient notice to mitigate any residual liabilities. Consequently, there is no recognition of these arrangements as financial guarantees in the statement of accounts.

25.9 Risks

The Commissioner has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011). As part of the adoption of the Treasury Management Code, the Commissioner approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Commissioner also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the guidance provided by the CLG for local authorities. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Commissioner's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Commissioner is exposed to several risks arising from the use of financial instruments:

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

- Market risk – the possibility that financial loss might arise for the Commissioner as a result of changes in such measures as interest rates or stock market movements.

Credit Risk

Credit risk is the possibility that banks and financial institutions will fail to meet their contractual obligations, causing a loss to the Commissioner. The OPCC manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, and other local authorities without credit ratings. Recognising that credit ratings are imperfect predictors of default, the OPCC has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment. A maximum investment limit of £15m is placed on the amount of money that can be invested with a single counterparty. No more than £20m in total can be invested for a period longer than 364 days and up to a maximum duration of two years.

The OPCC's maximum exposure to credit risk in relation to its investments in banks and building societies of £53.6m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the OPCC's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise. The Commissioner has no historical experience of counterparty default.

It should be noted that although credit ratings remain a key source of information, the Commissioner recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Commissioner's Annual Investment Strategy for 2013/14, approved by the Commissioner on 11 February 2013.

The table below summarises the nominal value of the Commissioner's investment portfolio at 31 March 2014, and confirms that all investments were made in line with the Commissioner's approved credit rating criteria:

Counterparty	Credit Rating Criteria Met When Investment Placed ?	Credit Rating Criteria Met on 31 March 2014 ?	Balance Invested as at 31 March 2014					Total
	YES / NO	YES / NO	Call accounts	Up to 1 month	> 1 month and < 6 months	> 6 months and < 12 months	> 12 months	
			£000s	£000s	£000s	£000s	£000s	£000s
Banks - UK	Yes	Yes	2,104	2,003	12,036	4,006	0	20,149
Banks - overseas	Yes	Yes	6,006	0	0	0	0	6,006
Money market funds	Yes	Yes	21,374	0	0	0	0	21,374
Building Societies - UK	Yes	Yes	0	2,009	1,005	3,005	0	6,019
Local Authorities	Yes	Yes	0	0	11,044	2,001	3,366	16,411
Total			**29,484**	**4,012**	**24,085**	**9,012**	**3,366**	**69,959**

Call accounts are included in the above for reference but it should be noted that these accounts do not form part of investments. Call accounts are included within cash and cash equivalents.

Liquidity Risk

Liquidity risk is the possibility that the Commissioner will be unable to raise funds to meet its payment commitments as they fall due. As the Commissioner has ready access to borrowing through the Public Works Loan Board and commercial banks, there is no perceived risk that the Commissioner will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Commissioner will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. This risk is managed by maintaining a spread of fixed rate loans, limiting the amount of the Commissioner's borrowing that matures in any one financial year.

The maturity analysis of the nominal value of the Commissioner's debt at 31 March 2014 was as follows:

Outstanding debt - maturity periods	31 March 2013	% of total debt portfolio	31 March 2014	% of total debt portfolio
	£'000	%	£'000	%
Less than 5 years	6,797	18	6,435	17
Between 5 and 10 years	2,108	5	1,600	4
Between 10 and 15 years	700	2	350	1
Between 15 and 20 years	8,000	21	12,000	32
Between 20 and 25 years	19,000	49	17,000	45
More than 25 years	2,000	5	0	0
Total	**38,605**	**100**	**37,385**	**100**

31 March 2013 £'000	Loans and other long term liabilities outstanding (nominal value):	31 March 2014 £'000
38,379	Public Works Loan Board	37,164
226	Temporary borrowing	221
38,605	**Total**	37,385

Note that the loans and other long-term liabilities include accrued interest of £0.221m and that part of the long-term borrowing which is due to be repaid in the 12 months after the Balance Sheet date (£1.214m); both of these elements are classified as short-term liabilities on the Balance Sheet.

Market Risks

Interest Rate Risk. The Commissioner is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit on his exposure to fixed and variable interest rates. At 31 March 2014 all £37.1m of the debt portfolio was held in fixed rate instruments, and nil in variable rate instruments.

Investments are also subject to movements in interest rates. The Commissioner's investments with less than one year to maturity (£66.5m at 31 March 2014) are classed as being held at variable rates and exposed to interest rate risk.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowing	0
Increase in interest receivable on variable rate investments	666
Net cost / (saving)	666

The approximate impact of a 1% fall in interest rates would have been as above but with the movement being reversed.

Price Risk. The Commissioner does not invest in equity shares and has no shareholdings in joint ventures or local industry. There is, therefore, no exposure to price risk.

Foreign Exchange Risk. The Commissioner has one significant financial asset denominated in a foreign currency (i.e. Euro), which it holds in a designated Euro currency bank account. Whilst the account balance is included in the Balance Sheet under cash and cash equivalents at the spot exchange rate pertaining on 31 March 2014, this is for accounting and reporting purposes only. The Euro account is held so that the Commissioner can account for the use of the EU grant it relates to and the donor bears the risk of any losses or benefits from any gains arising from movements in exchange rates. The Commissioner therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

26 – Inventories

2012/13 £'000	Consumable Stores	2013/14 £'000
883	**Balance outstanding at start of year**	**970**
3,620	Purchases	3,181
(3,456)	Recognised as an expense in the year	(3,201)
(77)	Written off balances	(7)
0	Reversal of write-offs in previous years	0
970	**Balance outstanding at year-end**	**943**

27 – Short-term debtors

31 March 2013 £'000		31 March 2014 £'000
16,189	Central government bodies	14,973
7,530	Other local authorities	22,788
0	NHS Bodies	2
0	Public corporations and trading funds	3
6,512	Other entities and individuals	1,845
30,231	**Total**	**39,611**

28 – Cash and cash equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2013 £'000		31 March 2014 £'000
53	Cash held by the Authority	34
1,377	Bank current accounts	2,485
(1,420)	Bank overdrawn	0
4,320	Call accounts (same day access funds)	29,460
4,330	**Total Cash and Cash Equivalents**	**31,979**

29 – Short-term creditors

29.1 – Short-term creditors - Group

31 March 2013 £'000		31 March 2014 £'000
6,212	Central government bodies	8,063
9,234	Other local authorities	25,637
70	NHS Bodies	126
21	Public corporations and trading funds	23
12,781	Other entities and individuals	12,333
28,318	**Total**	**46,182**

The short-term creditors exclude other items such as accrued interest and the principal on long-term borrowing due to be paid in the 12 months after the balance sheet date: these are shown separately under Current Liabilities in the Balance Sheet.

29.2 – Short-term creditors - PCC

31 March 2013 £'000		31 March 2014 £'000
6,212	Central government bodies	8,063
9,234	Other local authorities	25,637
70	NHS Bodies	126
21	Public corporations and trading funds	23
7,925	Other entities and individuals	7,826
23,462	**Total**	**41,675**

29.2 – Short-term creditors - CC

31 March 2013 £'000		31 March 2014 £'000
4,856	Other entities and individuals	4,507
4,856	**Total**	**4,507**

30 – Provisions – Current Liabilities

	Redundancy and pension strain £'000	Other Provisions £'000	Total £'000
Balance at 31 March 2013	**(65)**	**0**	**(65)**
Additional provisions made in 2013/14	(351)	0	(351)
Amounts used in 2013/14	55	0	55
Unused amounts reversed in 2013/14	10	0	10
Balance at 31 March 2014	**(351)**	**0**	**(351)**

A provision has been made in the accounts in respect of the costs of redundancies and the additional charges to the employer from the pension fund for those who are eligible to retire early at the point at which they are made redundant. No extra entitlement, such as added years, is generally offered by the Commissioner but pensions must be taken early if the member meets the relevant criteria. Where this is the case the employer has to make a one-off payment to the pension fund so that these benefits can be paid early without a penalty. As a result of the change programme, the force has made a number of members of police staff redundant since 2010/11 and 2011/12, largely through the employees' application to take voluntary redundancy, which has enabled the force to meet budget reductions targets.

Where staff left at the 31st March, the redundancy payments were not due until after they had left the organisation and charges from the pension fund were also not due until the new financial year. As neither of these amounts could be accrued but there is certainty over both the timing and the amounts due, a provision has been made. In 2013/14, a provision of £351,000 has been made (£65,000 in 2012/13).

Whilst it is not classified as a provision, the Commissioner has recognised that some debts will be impaired on the basis of past experience. The sum recognised - which was formerly known as a provision for bad debts - is £150,000 (£150,000 as at 31 March 2013). No bad debts and impairments were written off or otherwise accounted for during the year (£73,141 in 2012/13).

31 – Usable Reserves

Movements in the Commissioner's usable reserves are detailed in the Movement in Reserves Statement.

Usable reserves include earmarked balances which are held for a number of specific purposes. Notes 15 and 16 provide details of the balances and the purposes of each reserve.

32 – Unusable Reserves

32.1 Unusable Reserves – Group

31 March 2013 £'000		31 March 2014 £'000
105,810	Capital Adjustment Account	103,042
5,791	Revaluation Reserve	5,810
(46)	Financial Instruments Adjustment Account	(18)
1,187	Collection Fund Adjustment Account	2,440
(4,856)	Accumulated Absences Account	(4,507)
(2,617,967)	Pensions Reserve	(2,651,217)
(2,510,081)		**(2,544,450)**

As there has been a change in accounting policy which recognises the Chief Constable as a principal and not an agent of the Police and Crime Commissioner, the figures for the comparator year (2012/13) have been restated and the split between the unusable reserves allocated to the Commissioner and the Chief Constable are shown in the following two tables.

32.2 Unusable Reserves – PCC

31 March 2013 (restated) £'000		31 March 2014 £'000
105,810	Capital Adjustment Account	103,042
5,791	Revaluation Reserve	5,810
(46)	Financial Instruments Adjustment Account	(18)
1,187	Collection Fund Adjustment Account	2,440
112,742		**111,274**

32.3 Unusable Reserves –CC

31 March 2013 (restated) £'000		31 March 2014 £'000
(4,856)	Accumulated Absences Account	(4,507)
(2,617,967)	Pensions Reserve	(2,651,217)
(2,622,823)		**(2,655,724)**

32.4 Reserves – Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangement 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, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling posts from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Commissioner as finance for the costs of acquisition, construction and enhancement.

The account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 14 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2012/13 £'000		2013/14 £'000	2013/14 £'000
111,694	**Balance at 1 April**		**105,810**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(13,900)	• Charges for depreciation and impairment of non-current assets	(9,730)	
0	• Revaluation losses on Property, Plant and Equipment	(61)	
(59)	• Revenue expenditure funded from capital under statute	(210)	
(775)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,651)	
(14,734)	**Sub-Total**		**(12,652)**
177	Adjusting amounts written out of the Revaluation Reserve		402
(14,557)	Net written out amount of the cost of non-current assets consumed in the year		**(12,250)**
	Capital financing applied in the year:		
786	• Use of the Capital Receipts Reserve to finance new capital expenditure	1,830	
2,946	• Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure	2,231	
3,086	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,631	
1,314	• Statutory provision for the financing of capital investment charged against the General Fund balance	1,151	
701	• Voluntary provision for the financing of capital investment charged against the General Fund balance	701	
8,833	**Sub-Total**		**9,544**
(160)	Write-down of capital debtors		**(62)**
105,810	**Balance at 31 March**		**103,042**

32.5 Reserves – Revaluation

The Revaluation Reserve records the accumulated gains on assets arising from increases in the value of its Property, Plant and Equipment Assets. The balance is reduced when assets with accumulated gains are:-

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £'000		2013/14 £'000
5,286	**Balance at start of year**	**5,791**
782	Revaluations during year	538
(100)	Impairments of previously revalued assets	(117)
(45)	Disposal of revalued assets	(291)
(132)	Depreciation of revaluations	(111)
5,791	**Balance at end of year**	**5,810**

32.6 Reserves – Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Commissioner uses the account to manage the adjustments which need to be shown in the accounts for soft loans, namely loans previously given to enable officers to make a deposit on a property purchase but for which no interest is charged.

2012/13 £'000		2013/14 £'000
(80)	**Balance at start of year**	**(46)**
34	Effective interest credited to Comprehensive Income and Expenditure Statement	28
(46)	**Balance at end of year**	**(18)**

32.7 Reserves – Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of precept income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2012/13 £'000		2013/14 £'000
1,230	**Balance at start of year**	**1,187**
(43)	Collection Fund net debtor/(creditor) at 31 March - monies owed by/(to) billing authorities	1,253
1,187	**Balance at end of year**	**2,440**

32.8 Reserves – 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 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2012/13 £'000		2013/14 £'000	2013/14 £'000
(4,423)	**Balance at start of year**		**(4,856)**
4,423	Settlement or cancellation of accrual made at the end of the preceding year	4,856	
(4,856)	Amounts accrued at the end of the current year	(4,507)	
(433)	Amount by which amounts charged to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		349
(4,856)	**Balance at end of year**		**(4,507)**

Note that the amount by which employee remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements is the movement in the year. In 2012/13, this was a decrease of £0.349m (An increase of £0.433m in 2012/13).

32.9 Reserves – 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 Chief Constable accounts for post-employee benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investments returns on any resources set aside to meet the costs. However, statutory arrangements require benefits to be financed as the Chief Constable makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. 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 Chief Constable has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2012/13 £'000		2013/14 £'000
(2,356,857)	**Balance at start of year**	**(2,617,967)**
(137,735)	Actuarial gains/(losses) on pensions assets and liabilities	93,662
(167,110)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(169,770)
43,735	Employer's pension contributions and direct payments to pensioners payable in the year	42,858
(2,617,967)	**Balance at end of year**	**(2,651,217)**

33 – Audit costs

The Group has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to any non-audit services provided by the Commissioner's external auditors:-

2012/13 £'000		2013/14 £'000
	Police and Crime Commissioner:	
(1.5)	Fees payable to/(rebate from) the Audit Commission with regard to fees for external audit services carried out by the appointed auditor for the year	(3.8)
61.0	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	55.0
0.5	Fees payable to the Audit Commission in respect of the National Fraud Initiative	0.0
	Chief Constable:	
25.0	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	25.0
85.0		**76.2**

The credit of £3,800 (£1,500 in 12/13) from the Audit Commission represents a rebate in respect of audit fees for the year. This was due to the revised structure and business model of the Audit Commission which focused on their core functions for the period until their closure and enabled them to reduce their costs further.

Ernst & Young LLP were appointed to audit the accounts of the Police and Crime Commissioner for Hampshire, the Group accounts and the accounts of the Chief Constable for Hampshire for five years starting with the accounts for 2012/13. The fees in respect of each party are shown in the above table.

34 – Contingent liabilities

The Police Pension Scheme Commutation Factors are reviewed annually by the Government Actuary's Department (GAD). The factors (the amount that can be commuted for each £1 sacrificed) were not reviewed between 1998 and 2006. This has been challenged and is the subject of a test case to the Pensions' Ombudsman, brought by a member of the Firefighters' Scheme, but which will have relevance to the Police Pension Scheme 1997. This case has not yet been heard and neither GAD nor the Home Office has accepted that commutation factors should have been higher between 1998 and 2006. Consequently, there is currently no liability to pay higher commutation lump sums for members who retired in this period. It is conceivable that such a liability may emerge following any ruling from the Ombudsman. GAD and the Home Office will consider whether any action is required following any such ruling. In the event that there is a liability to pay backdated commuted lump sums, it is estimated that this would affect around 1,000 pensioners with an additional pension commuted lump sum of £33,000 each; this creates a contingent liability for £33m. As the Government funds the difference between the income and expenditure on the Police Pension Fund account, an offsetting contingent asset is recorded for the income which would be receivable to cover any deficit.

At the balance sheet date there were a number of other potential liabilities in respect of events which are alleged to have happened in the past and where claims have been received from various third parties for damages and costs. Some of these relate to operational matters where liability has been alleged to have occurred in the past. These claims take some time to be settled but if there were to be settled all in the same year, insurance cover is in place to meet the costs of aggregate claims over a certain level; below this level (which is a combined £1.63m across the major categories of insurance) existing budgets or, exceptionally, the insurance reserve will cover the shortfall. However, it is considered extremely unlikely that all outstanding claims will be found against the Chief Constable and would, additionally, be settled in the same year.

There are some claims which have been received for which the Chief Constable, through the Commissioner, is not insured and, again, the reserve or existing budgets would cover any awards of costs and damages. It is not certain that these or related events which might arise in the future would lead to rulings against the Commissioner or will lead to claims which are substantial. The insurance reserve to cover uninsured losses is £894,000. There was no cause to draw down any of this reserve balance in 2013/14.

35 – Contingent assets

A contingent asset of £33m is recorded in respect of additional top-up grant receivable from the Home Office in the event that changes to commutation factors are backdated for around 1,000 pensioners who retired between 1998 and 2006, requiring additional funding. See Contingent Liabilities for further information.

36 – Events after the reporting period

In accordance with the Police Reform and Social Responsibility Act 2011, the Home Secretary approved the 'stage 2 transfer' agreement between the Commissioner and the Chief Constable. This took effect on 1 May 2014, when the employees who are considered to be under the operational control of the Chief Constable were transferred to the direct employment of the OCC. This transfer did not alter any existing terms and conditions of employment, and did not constitute a break in employment. As a result of this transfer there is no change to the statement of accounts as the relevant employee's costs are already recorded in the Chief Constable's accounts to reflect the command and control of these employees which was already in existence prior to the stage 2 transfer. The Stage 2 transfer thus provided the legal form to match the substance of this relationship. The transfer has been treated as a non-adjusting post-Balance Sheet event in these accounts.

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

37 – Other disclosures

The following disclosures have been omitted from the Statement of Accounts as they either do not apply or are not material to the Commissioner's or the Group's activities:

- There are no acquired or discontinued operations;
- The Commissioner does not have any Private Finance Initiative (PFI) arrangements or similar schemes;
- The Commissioner does not have any material heritage assets;
- The Commissioner does not have any pooled funds;
- The Commissioner does not have any of the following:-
  - Investment properties
  - Material construction contracts
  - Operating activities
  - Material trading operations

- Trust funds
- The Commissioner has not capitalised any borrowing costs

38 – Notes to the cash flow statement 2013/14 - Group

38.1 Adjustments to the net surplus or deficit on the provision of services for non-cash movements

2012/13 £'000		2013/14 £'000
(135,134)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(142,484)
	Analysis:-	
(123,375)	- Pensions	(126,912)
(13,900)	- Depreciation and impairment charged to CIES	(9,731)
682	- Revaluation adjustments	0
3,968	- Increase/(Decrease) in Debtors	9,380
1,768	- (Increase)/Decrease in Creditors	(12,197)
87	- Increase/(Decrease) in Inventories	(27)
486	- (Increase)/Decrease in Provisions	(286)
(573)	- Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(2,651)
(4,277)	- Other non-cash items charged to the net surplus or deficit on the provision of services	(60)
(135,134)		(142,484)

38.2 Adjustments to the net surplus or deficit on the provision of services for investing and financing activities

2012/13 £'000		2013/14 £'000
2,747	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,512
	Analysis:-	
626	- Proceeds from the sale of PP&E, investment property and intangible assets	2,838
3,086	- Capital grant (included within investing activities)	3,631
(965)	- Any other items for which the cash effects are investing or financing cash flows	(957)
2,747		5,512

38.3 Investing activities

2012/13 restated £'000		2013/14 £'000
11,007	Purchase of property, plant and equipment, investment property and intangible assets	7,482
378,690	Purchase of short-term and long-term investments	380,490
(58)	Other payments for investing activities	0
(626)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,838)
(363,440)	Proceeds from short-term and long-term investments	(390,390)
(3,086)	Other receipts from investing activities	(3,677)
22,487	**Net cash outflow/(inflow) from investing**	**(8,933)**

Note that purchases and proceeds from short-term and long-term investments are now shown as gross figures and not netted off as in previous years. The 2012/13 comparator has been restated accordingly. There is no change to the net position for that year.

38.4 Financing activities

2012/13 £'000		2013/14 £'000
0	Cash receipts of short- and long-term borrowing	0
(689)	Other receipts from financing activities - interest received	(596)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
1,426	Repayment of short- and long-term borrowing	1,426
1,654	Other payments for financing activities - interest paid	1,553
2,391	**Net cash outflow/(inflow) from financing**	**2,383**

38.5 Cash and cash equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2012/13 £'000		2013/14 £'000
53	Cash held	34
1,377	Bank current accounts	2,485
(1,420)	Bank overdraft	0
4,320	Surplus cash deposited with approved counterparties (on immediate call)	29,460
4,330	**Total Cash and Cash Equivalents**	**31,979**

39 – Notes to the cash flow statement 2013/14 - PCC

As there has been a change in accounting policy which recognises the Chief Constable as a principal and not an agent of the Police and Crime Commissioner, the figures for the comparator year (2012/13) have been restated. See Notes 1.17, 3 and 4.

39.1 Adjustments to the net surplus or deficit on the provision of services for non-cash movements

2012/13 (restated) £'000		2013/14 £'000
(11,326)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(15,921)
	Analysis:-	
0	- Pensions	0
(13,900)	- Depreciation and impairment charged to CIES	(9,731)
682	- Revaluation adjustments	0
3,968	- Increase/(Decrease) in Debtors	9,380
2,201	- (Increase)/Decrease in Creditors	(12,546)
87	- Increase/(Decrease) in Inventories	(27)
486	- (Increase)/Decrease in Provisions	(286)
(573)	- Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(2,651)
(4,277)	- Other non-cash items charged to the net surplus or deficit on the provision of services	(60)
(11,326)		(15,921)

39.2 Adjustments to the net surplus or deficit on the provision of services for investing and financing activities - PCC

2012/13 £'000		2013/14 £'000
2,747	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,512
	Analysis:-	
626	- Proceeds from the sale of PP&E, investment property and intangible assets	2,838
3,086	- Capital grant (included within investing activities)	3,631
(965)	- Any other items for which the cash effects are investing or financing cash flows	(957)
2,747		5,512

39.3 Investing activities - PCC

2012/13 (restated) £'000		2013/14 £'000
11,007	Purchase of property, plant and equipment, investment property and intangible assets	7,482
378,690	Purchase of short-term and long-term investments	380,490
(58)	Other payments for investing activities	0
(626)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,838)
(363,440)	Proceeds from short-term and long-term investments	(390,390)
(3,086)	Other receipts from investing activities	(3,677)
22,487	**Net cash outflow/(inflow) from investing**	**(8,933)**

Note that the purchase and proceeds from the sale of investmentsin 2012/13 have been restated to show these as separate items, rather than netted off to the year end figure.

39.4 Financing activities - PCC

2012/13 £'000		2013/14 £'000
0	Cash receipts of short- and long-term borrowing	0
(689)	Other receipts from financing activities - interest received	(596)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
1,426	Repayment of short- and long-term borrowing	1,426
1,654	Other payments for financing activities - interest paid	1,553
2,391	**Net cash outflow/(inflow) from financing**	**2,383**

39.5 Cash and cash equivalents - PCC

The balance of Cash and Cash Equivalents is made up of the following elements:

2012/13 £'000		2013/14 £'000
53	Cash held	34
1,377	Bank current accounts	2,485
(1,420)	Bank overdraft	0
4,320	Surplus cash deposited with approved counterparties (on immediate call)	29,460
4,330	**Total Cash and Cash Equivalents**	**31,979**

40 – Notes to the cash flow statement 2013/14 - CC

40.1 Adjustments to the net surplus or deficit on the provision of services for non-cash movements

2012/13 (restated) £'000		2013/14 £'000
123,808	Net (surplus) or deficit on the provision of services	126,563
(123,808)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(126,563)
0	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0
0	Net cash flows from Operating Activities	0
0	Investing Activities	0
0	Financing Activities	0
0	Net (increase) or decrease in cash and cash equivalents	0
0	Cash and cash equivalents at the beginning of the reporting period	0
0	Cash and cash equivalents at the end of the reporting period	0

40.2 Adjustments to the net surplus or deficit on the provision of services for non-cash movements - CC

2012/13 (restated) £'000		2013/14 £'000
(123,808)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(126,563)
	Analysis:-	
(123,375)	- Pensions	(126,912)
(433)	- (Increase)/Decrease in Creditors	349
(123,808)		(126,563)

2012/13 £'000	Police Pension Fund Account	2013/14 £'000
	Contributions receivable	
	- from employer	
(29,175)	- normal	(28,222)
0	- early retirements	0
(1,603)	- ill-health capital equivalent charges	(1,222)
(14,382)	- from members	(15,283)
	Transfers in	
(307)	- individual transfers in from other schemes	(753)
	Benefits payable	
61,445	- pensions	65,001
19,059	- commutations and lump sum retirement benefits	15,884
0	- lump sum death benefits	346
	Payments to and on account of leavers	
8	- refunds of contributions	6
940	- individual transfers out to other schemes	1,285
35,985	**Net amount payable for the year**	**37,042**
(35,985)	**Additional contribution from the Commissioner**	(37,042)
0		0

2012/13 £'000	Net Assets Statement	2013/14 £'000
	Current Assets	
0	- contributions due from employer	0
0	- other current assets	0
	Current Liabilities	
0	- unpaid pension benefits	0
0	- amount due to sponsoring department	0
0	- other current liabilities	0
0		0

The Pension Fund financial statements do not take account of any liabilities to pay pensions and other benefits after the period end.

Most payments and employer contributions in respect of the police pension schemes are reported in the Police Pension Fund Account. Other pension costs are charged to the Comprehensive Income and Expenditure Statement. This includes the ongoing costs and commuted lump sums in respect of officers who are awarded injury pensions, which totalled £1.50m in 2013/14. For officers who retire on the grounds of ill-health, the employer makes a contribution from the Comprehensive Income and Expenditure Account to the Police Pension Fund Account. This charge is the equivalent to two years' pensionable pay and is a one off credit to the account. All ongoing payments are met by the Police Pension Fund.

Debtors and creditors of the Police Pension Fund Account are included within the main financial statements of the Commissioner as a result of the reimbursement of the top up grant and the cash being transferred between the Commissioner and Pension Fund bank accounts on a daily basis.

The Police Pension Fund is managed by the Commissioner but its administration is carried out by the County Council as part of the CFO's responsibilities. The administrator makes all payments to existing and new pensioners and maintains the necessary records of entitlement. The Commissioner provides the funds to make payments to pensioners and for transfers out of the scheme. The Commissioner's budget and current serving officers make contributions into the fund and at present 100% of any shortfall between this income and the payments made is met by a grant from the Home Office.

The Police Pension Fund makes payments to officers who retire from the scheme whilst in the employment of the Commissioner or who have previously worked for the Commissioner and who have a deferred pension. This is based on the length of service and pensionable pay at the point of retirement. Officers may choose to commute part of their benefit into a lump sum and to receive a reduced ongoing pension. Benefits are also paid to dependents when an officer dies in service or after retirement.

Employees in the old pension scheme (pre-2006) make contributions of 11% of salary. Officers joining the scheme after this date pay 9.5% of salary. Both schemes have different accrual rates and retirement ages. The employer made a contribution of 24.2% of pensionable salary and benefits in 2013/14. The employee's contribution is set nationally by the Home Office and is subject to a triennial revaluation by the Government Actuary's Department (GAD).

The Police Pension Fund Account has been prepared in accordance with the extant Police Pensions Regulations and the accounting policies detailed in Note 1.

Note 8 provides further details of the IAS19 entries and the pension schemes.

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.

Chief Finance Officer (CFO)
The Commissioner and the Chief Constable both have a legal obligation under the Local Government Finance Act 1998 to appoint a person to be responsible for the proper administration of his financial affairs. This person is the Chief Finance Officer (CFO).

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.

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 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.

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).