2011/12 Disclosure
Post holder information

	Salary, fees and allowances £	Bonuses £	Expenses Allowance £	Compensation for loss of employment £	Benefits in Kind £	Other payments (Police officers only) £	Total Remuneration excluding pensions contributions £	Employer's Pension contributions £	Total Remuneration including pensions contributions £	Note
Office of the PCC										
Chief Executive	90,000	-	-	-	-	-	90,000	11,790	101,790	
Constabulary										
Chief Constable - Mr Alex Marshall	165,921	-	-	-	-	-	165,921	-	165,921	1
Deputy Chief Constable	130,950	-	1,490	-	5,134	-	137,574	30,794	168,368	
Assistant Chief Constable - Crime and Criminal Justice	116,781	-	2,480	-	3,998	-	123,259	25,615	148,874	
Assistant Chief Constable - Territorial Operations	110,452	-	1,367	-	5,789	-	117,608	25,433	143,041	
Assistant Chief Constable - HR and Operations	39,674	-	345	-	1,669	-	41,688	8,388	50,076	2
Director of Finance and Resources	100,935	-	1,419	-	2,547	-	104,901	13,203	118,104	3
Head of Human Resources	58,868	-	-	-	719	-	59,587	7,604	67,191	2,3
	813,581	**-**	**7,101**	**-**	**19,856**	**-**	**840,538**	**122,827**	**963,365**	4,5

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

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

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

Note 4: The Director of Corporate Resources at Hampshire County Council (HCC) is the statutory Chief Financial Officer to the PCC. This is a part-time role and her total remuneration details are disclosed by HCC. A recharge is made to the Commissioner from HCC in respect of the time and cost of the statutory role carried out by the Director of Corporate Resources. This charge was £37,600.

Note 5: 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	
	2011/12 No.	2012/13 No.	2011/12 No.	2012/13 No.	2011/12 No.	2012/13 No.	2011/12 £'000	2012/13 £'000
£0 - £20,000	24	3	183	43	207	46	1,480	319
£20,001 - £40,000	2		6	1	8	1	129	32
£40,001 - £60,000	0		1		1	0	43	
£60,001 - £80,000	0		0		0	0	0	
£80,001 - £100,000	0		0	1	0	1	0	82
£100,001 - £150,000	0		0		0	0	0	
Additional provision in the Comprehensive Income and Expenditure Statement	0	1	39	2	39	3	318	24
Reversal of previous year's provision (included in bandings in following year when payments due)	(5)		(79)	(39)	(84)	(39)	(725)	(318)
Totals	**21**	**4**	**150**	**8**	**171**	**12**	**1,245**	**139**

The Comprehensive Income and Expenditure Statement includes a provision of £0.024m which has been agreed and is payable to 3 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. Note also that there were a total of 39 exit packages agreed in 2011/12, not 52 as reported in the 2011/12 Statement of Accounts.

In addition to the payments made to staff leaving the organisation, the Commissioner 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 £0.189m in 2012/13 (£0.926m in 2011/12).

14 – Termination Benefits

The Commissioner terminated the contracts of a number of employees in 2012/13, incurring liabilities of £0.139m (£1.245m in 2011/12). See note 13 for the number of exit packages and total cost per band.

15 – Grant Income

The Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

2011/12 £'000		2012/13 £'000
	Credited to Taxation and Non-Specific Grant Income	
(101,644)	Council Tax Precept	(101,975)
(56,748)	Share of National Business Rates	(71,036)
(137,967)	Police Grant	(131,181)
(17,541)	Revenue Support Grant	(1,404)
(3,035)	Government Grant to Finance Capital Expenditure	(3,086)
(316,935)	**Total**	**(308,682)**

Credited to Services

2011/12 £'000		2012/13 £'000
(7,609)	Neighbourhood Policing Fund/Community Support Officers	(7,564)
(3,745)	Dedicated Security Posts grant	(3,701)
(2,520)	Council tax Freeze grant	0
(888)	ACPO Criminal Records Office	(1,357)
(19)	Automatic number plate recognition grant	0
(108)	Counter terrorism grant	(269)
(226)	National Police Air Service project	(42)
(64)	Local Criminal Justice Board	(30)
(14)	Local Public Services Agreement (LPSAS)	0
(177)	Mobile Information Project	
(481)	Special grant - Riots	0
0	Special grant - Olympics	(1,623)
0	Youth Crime Prevention	(135)
(40)	Miscellaneous grants	(61)
(15,891)	**Totals:**	**(14,782)**

The Council Tax freeze grant became part of the funding formula for the Police Grant in 2012/13.

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 provider. 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

2011/12 £'000		2012/13 £'000
0	National Police Air Service implementation	(6,052)
0		**(6,052)**

Grants Receipts in Advance - Revenue Grants

2011/12 £'000		2012/13 £'000
182	Local Area Agreement performance reward grant	170
187	National Police Air Service implementation	0
90	Other Police body funding for operational unit	0
0	EU grant for ACRO	931
23	Other miscellaneous grants	68
482		**1,169**

Long-term Liabilities

Grants Receipts in Advance - Capital Grants

2011/12 £'000		2012/13 £'000
(2,593)	National Police Air Service implementation	0
(2,593)		**0**

16 – 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.

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)

2011/12	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	12,974					(12,974)
Revaluation losses on Property Plant and Equipment	0					0
Amortisation of intangible fixed assets	0					0
Capital grants and contributions applied	(3,035)					3,035
Revenue expenditure funded from capital under statute	0					0
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	898					(898)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(1,683)					1,683
Capital expenditure charged against the General Fund	0					0

2011/12	**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 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	(1,161)		1,161			
Use of the Capital Receipts Reserve to finance new capital expenditure			(1,161)			1,161
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0		0			
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	(2,681)			2,681		
Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure				(1,172)		1,172

2011/12	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	Usable 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	(36)					36
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	193,980					(193,980)
Employer's pensions contributions and direct payments to pensioners payable in the year	(46,014)					46,014
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	195					(195)
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	(856)					856
Total Adjustments	152,581	0	0	1,509	0	(154,090)

17 – 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 2012/13.

	Balance 31 March 2011	Transfers 2011/12		Balance 31 March 2012	Transfers 2012/13		Balance 31 March 2013
		Out	In		Out	In	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ACRO Surety	1,750	0	0	1,750	0	500	2,250
AVCIS Surety	0	0	0	0	0	300	300
Carry Forward Reserve	4,195	(3,795)	4,631	5,031	(5,031)	11,562	11,562
Equipment Reserve	0	0	1,000	1,000	0	0	1,000
Insurance Reserve	394	0	500	894	0	0	894
Netley Business Plan	73	0	25	98	0	30	128
Performance Reserve	0	0	2,500	2,500	(800)	0	1,700
Risk Reserve	0	0	0	0	0	6,689	6,689
Revenue Grants Unapplied	354	(354)	644	644	(470)	56	230
Spend to Save Reserve	386	0	0	386	(386)	0	0
Transformation Reserve	0	(3,375)	27,016	23,641	(7,724)	5,120	21,037
Total	7,152	(7,524)	36,316	35,944	(14,411)	24,257	45,790

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 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 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;
- 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 is held to pump prime initiatives that need initial investment to generate future efficiencies, which may accrue a number of years after the initial investment. This reserve was closed in 2012/13;
- 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.

18 – 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.

2011/12 £'000		2012/13 £'000
622	**Balance at start of year**	**2,131**
2,681	Contributions received in year	2,630
(1,172)	Contributions applied to finance capital expenditure	(2,946)
0	Contributions returned to revenue	0
2,131	**Balance at end of year**	**1,815**

19 – Other operating income/expenditure

2011/12 £'000		2012/13 £'000
1,057	Levies to National Police Services	1,012
(29,116)	Home Office Police Pension Fund Top-up Grant	(35,985)
29,116	Transfer of Home Office Grant to the Police Pension Fund	35,985
(263)	(Gains)/losses on the disposal of non-current assets	150
794		1,162

27 – Insurance Provisions

The Commissioner does not have an insurance provision but does hold a reserve of £894,000 (£894,000 at 31 March 2012). The Commissioner self insures lower amounts but externally insures against larger risks such as loss/damage to assets and other potential liabilities.

28 – Financial Instruments

28.1 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 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
Investments				
Loans and receivables	13,000	7,000	37,250	28,000
Total investments	**13,000**	**7,000**	**37,250**	**28,000**
Debtors				
Loans and receivables	689	685	18,460	14,904
Total Debtors	**689**	**685**	**18,460**	**14,904**
Borrowings				
Financial liabilities at amortised cost	37,164	38,378	1,215	1,215
Total borrowings	**37,164**	**38,378**	**1,215**	**1,215**
Creditors				
Financial liabilities at amortised cost	0	0	12,815	14,586
Total creditors	**0**	**0**	**12,815**	**14,586**

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.

28.2 Income, Expense, Gains and Losses

	2011/12			2012/13		
	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	1,531	0	**1,531**	1,583	0	**1,583**
Impairment losses	0	0	**0**	71		**71**
Total expense in Surplus or Deficit on the Provision of Services	**1,531**	**0**	**1,531**	**1,654**	**0**	**1,654**
Interest income	0	761	**761**	0	689	**689**
Total income in Surplus or Deficit on the Provision of Services	**0**	**761**	**761**	**0**	**689**	**689**
Net gain / (loss) for the year	**(1,531)**	**761**	**(770)**	**(1,654)**	**689**	**(965)**

28.3 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 2012			31 March 2013	
Carrying amount £'000	Fair value £'000		Carrying amount £'000	Fair value £'000
54,179	60,720	Financial liabilities	51,194	59,232
0	0	Long-term creditors	0	0

31 March 2012			31 March 2013	
Carrying amount £'000	Fair value £'000		Carrying amount £'000	Fair value £'000
49,904	49,949	Loans and receivables	68,710	68,770
685	685	Long-term debtors	689	689

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 2013 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 £15,500 at 31 March 2013 (£24,900 at 31 March 2012). 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 2013 the outstanding sum was £0.72m (£0.74m at 31 March 2012). Loans totalling £20,800 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 expected life of 8 years has been assumed.

On the basis of the above, the fair value of housing assistance loans is £0.67m (£0.66m at 31 March 2012). The Financial Instruments Adjustment Account is the balance sheet account which records these adjustments to the value of the soft loans.

28.4 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 2012 £'000		31 March 2013 £'000
14,904	Receivable financial instruments	18,460

Trade debtors were impaired by £71,541 during the year as this debt (or proportion thereof) was deemed uncollectable.

28.5 Loans and receivables – long-term

In accordance with the Annual Investment Strategy, £13m of surplus cash was invested in a total of eight loans at the balance sheet date, with various dates of maturity between 30.05.14 and 17.10.14, 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 £13.060m. This difference is not significant and the investments are held at carrying value as a proxy for fair value at the Balance Sheet date.

28.6 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 2012 £'000		31 March 2013 £'000
14,586	Trade Payables (Creditors)	12,815

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

The Commissioner's borrowing strategy for 2012/13 was set by the former Police Authority in February 2012. The strategy was 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 was still large and that internal financing might be the most cost effective means of financing capital expenditure, especially as this difference between short and long term interest rates was expected to continue.

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 2012 £'000	Outstanding loans 31 March 2013 £'000
Less than 5 years	2.84%	6,571	6,571
Between 5 and 10 years	2.57%	3,321	2,108
Between 10 and 15 years	5.44%	700	700
Between 15 and 20 years	4.09%	4,000	8,000
Between 20 and 25 years	4.33%	21,000	19,000
More than 25 years	4.41%	4,000	2,000
		39,592	**38,379**

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.

Much of the Commissioner's loan portfolio of £38.4m was taken out between 2008/09 and 2011/12 (£34m). As a result, the difference between the rates at which loans were taken out and the rates in existence at 31 March 2013 is relatively low, which is reflected in a relatively small difference between the book value of the loans and the fair value. The PWLB loans had a fair value of £46.4m at 31 March 2013 (£46.1m at 31 March 2012).

28.8 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 leasing payments for premises occupied by the ACPO Criminal Records Office (ACRO). However, in respect of the ACRO premises and any prospective redundancy costs, a surety has been received and is held as a deposit in the event that the service is discontinued. The sum held represents the maximum liability to pay outstanding leasing payments under the lease and any redundancy costs which may arise. As such, this sum is not a premium paid to the Commissioner for bearing a potential risk. Rather, it is a deposit held to pay all sums due in the event of the ACRO arrangements ceasing with insufficient notice. Consequently, there is no recognition of this arrangement as a financial guarantee in the statement of accounts.

During 2012/13, similar arrangements were entered into on behalf of the ACPO Vehicle Crime Intelligence Service, which had previously been operated by Wiltshire Constabulary. This transferred across to ACRO. In view of this, a separate surety of £300,000 was received to offset any potential losses in the event of an early termination of the unit’s activity. As with ACRO, no financial guarantee is deemed to be in place.

28.9 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 CLGv requirements 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 – i.e. the possibility that other parties might fail to pay amounts due to the Commissioner;

- Liquidity risk – i.e. the possibility that the Commissioner might not have funds available to meet its commitments to make payments;
- Market risk – i.e. 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 Commissioner 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 Commissioner has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment. A maximum investment limit of £15 million is placed on the amount of money that can be invested with a single counterparty. No more than £20million in total can be invested for a period longer than 364 days and up to a maximum duration of two years.

The Commissioner's maximum exposure to credit risk in relation to its investments in banks and building societies of £30.6m 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 Commissioner's deposits, but there was no evidence at the 31 March 2013 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 2012/13, approved by the Hampshire Police Authority, which preceded the Commissioner, on 7 February 2012.

The table below summarises the nominal value of the Commissioner's investment portfolio at 31 March 2013, 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 2013?	Balance Invested as at 31 March 2013 £000s					Total £000s
	YES / NO	YES / NO	Call accounts	Up to 1 month	> 1 month and < 6 months	> 6 months and < 12 months	> 12 months	
Banks - UK	Yes	Yes	4,323	2,002	17,267	3,008	0	26,600
Building Societies - UK	Yes	Yes	0	0	2,002	2,005	0	4,007
Local Authorities	Yes	Yes	0	0	6,039	5,021	13,046	24,106
Total			**4,323**	**2,002**	**25,308**	**10,034**	**13,046**	**54,713**

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 2013 was as follows:

Outstanding debt - maturity periods	31 March 2012	% of total debt portfolio	31 March 2013	% of total debt portfolio
	£'000	%	£'000	%
Less than 5 years	6,806	17	6,797	18
Between 5 and 10 years	3,321	8	2,108	5
Between 10 and 15 years	700	2	700	2
Between 15 and 20 years	4,000	10	8,000	21
Between 20 and 25 years	21,000	53	19,000	49
More than 25 years	4,000	10	2,000	5
Total	**39,827**	**100**	**38,605**	**100**

31 March 2012 £'000	Loans and other long term liabilities outstanding (nominal value):	31 March 2013 £'000
39,593	Public Works Loan Board	38,379
234	Temporary borrowing	226
39,827	**Total**	38,605

Note that the loans and other long-term liabilities include accrued interest (£0.226m) 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 limits on his exposure to fixed and variable interest rates. At 31 March 2013 all £38.4m of the debt portfolio was held in fixed rate instruments, and £0 in variable rate instruments.

Investments are also subject to movements in interest rates. The Commissioner's investments with less than one year to maturity (£41.7m at 31 March 2013) 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	(416)
Net cost / (saving)	(416)

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 financial asset denominated in a foreign currency (i.e. Euros), 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 2013, 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.

29 – Inventories

2011/12 £'000	Consumable Stores	2012/13 £'000
1,028	**Balance outstanding at start of year**	**883**
3,771	Purchases	3,620
(3,916)	Recognised as an expense in the year	(3,456)
0	Written off balances	(77)
0	Reversal of write-offs in previous years	0
883	**Balance outstanding at year-end**	**970**

30 – Short-term debtors

31 March 2012 £'000		31 March 2013 £'000
18,288	Central government bodies	16,189
5,383	Other local authorities	7,530
0	NHS Bodies	0
0	Public corporations and trading funds	0
2,592	Other entities and individuals	6,512
26,263	**Total**	**30,231**

Note that in 2012/13, a large short-term debtor of £4.521m is included in 'Other entities and individuals' in respect of pensions payments paid in advance for April 2013 which were paid early in accordance with a requirement to pay pensions on or before the first day of the month to which they relate.

31 – Cash and cash equivalents

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

31 March 2012 £'000		31 March 2013 £'000
50	Cash held by the Authority	53
1,407	Bank current accounts	1,377
(2,880)	Bank overdrawn	(1,420)
16,290	Call accounts (same day access funds)	4,320
14,867	**Total Cash and Cash Equivalents**	**4,330**

32 – Short-term creditors

31 March 2012 (restated) £'000		31 March 2013 £'000
4,651	Central government bodies	6,212
11,745	Other local authorities	9,234
65	NHS Bodies	70
23	Public corporations and trading funds	21
14,280	Other entities and individuals	12,781
30,764	**Total**	**28,318**

The short-term creditors total in the comparator year has been updated to match the relevant figure on the face of the Balance Sheet. Previously this table included 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 now shown under Current Liabilities.

33 – Provisions – Current Liabilities

	Redundancy and pension strain £'000	Other Provisions £'000	Total £'000
Balance at 31 March 2012	**(551)**	**0**	**(551)**
Additional provisions made in 2012/13	(65)	0	(65)
Amounts used in 2012/13	551	0	551
Unused amounts reversed in 2012/13	0	0	0
Unwinding of discounting in 2012/13	0	0	0
Balance at 31 March 2013	**(65)**	**0**	**(65)**

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, are generally offered by the Commissioner but pensions can be taken early without a penalty. As a result of the change programme, the force made a number of members of police staff redundant in 2010/11 and 2011/12, largely through the employees' application to take voluntary redundancy, which enabled the force to meet budget reductions targets. In 2012/13 the number of redundancies was significantly reduced.

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 2012/13, a provision of £65,000 has been made (£551,000 in 2011/12).

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 2012). Bad debts and impairments totalling £73,141 were accounted for during the year (£9,719 in 2011/12).

34 – 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 17 and 18 provide details of the balances and the purposes of each reserve.

35 – Unusable Reserves

35.1 Unusable Reserves – Summary

31 March 2012 £'000		31 March 2013 £'000
111,694	Capital Adjustment Account	105,810
5,286	Revaluation Reserve	5,791
(80)	Financial Instruments Adjustment Account	(46)
1,230	Collection Fund Adjustment Account	1,187
(4,423)	Accumulated Absences Account	(4,856)
(2,356,857)	Pensions Reserve	(2,617,967)
(2,243,150)		**(2,510,081)**

35.2 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 and depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings 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 16 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2011/12 £'000		2012/13 £'000	2012/13 £'000
118,338	**Balance at 1 April**		**111,694**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(12,974)	• Charges for depreciation and impairment of non-current assets	(13,900)	
0	• Revenue expenditure funded from capital under statute	(59)	
(901)	• 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	(775)	
(13,875)	**Sub-Total**		**(14,734)**
180	Adjusting amounts written out of the Revaluation Reserve		177
(13,695)	Net written out amount of the cost of non-current assets consumed in the year		**(14,557)**
	Capital financing applied in the year:		
1,161	• Use of the Capital Receipts Reserve to finance new capital expenditure	786	
1,172	• Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure	2,946	
3,035	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,086	
1,218	• Statutory provision for the financing of capital investment charged against the General Fund balance	1,314	
465	• Voluntary provision for the financing of capital investment charged against the General Fund balance	701	
7,051	**Sub-Total**		**8,833**
0	Write-down of capital debtors		**(160)**
111,694	**Balance at 31 March**		**105,810**

35.3 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.

2011/12 £'000		2012/13 £'000
2,765	**Balance at start of year**	**5,286**
2,894	Revaluations during year	782
(193)	Impairments of previously revalued assets	(100)
(86)	Disposal of revalued assets	(45)
(94)	Depreciation of revaluations	(132)
5,286	**Balance at end of year**	**5,791**

35.4 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.

2011/12 £'000		2012/13 £'000
(116)	**Balance at start of year**	**(80)**
36	Effective interest credited to Comprehensive Income and Expenditure Statement	34
(80)	**Balance at end of year**	**(46)**

35.5 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.

2011/12 £'000		2012/13 £'000
1,425	**Balance at start of year**	**1,230**
(195)	Collection Fund net debtor/(creditor) at 31 March - monies owed by/(to) billing authorities	(43)
1,230	**Balance at end of year**	**1,187**

35.6 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.

2011/12 £'000		2012/13 £'000	2012/13 £'000
(5,279)	**Balance at start of year**		**(4,423)**
5,279	Settlement or cancellation of accrual made at the end of the preceding year	4,423	
(4,423)	Amounts accrued at the end of the current year	(4,856)	
856	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		(433)
(4,423)	**Balance at end of year**		**(4,856)**

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 an increase of £0.433m (A reduction of £0.856m in 2011/12).

35.7 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 Commissioner 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 Commissioner makes employer's contributions to pension funds or eventually pays any pensions for which he 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 Commissioner 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.

2011/12 £'000		2012/13 £'000
(2,024,407)	**Balance at start of year**	**(2,356,857)**
(184,484)	Actuarial gains/(losses) on pensions assets and liabilities	(137,735)
(193,980)	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	(167,110)
46,014	Employer's pension contributions and direct payments to pensioners payable in the year	43,735
(2,356,857)	**Balance at end of year**	**(2,617,967)**

36 – 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 non-audit services provided by the Commissioner's external auditors:-

2011/12 £'000		2012/13 £'000
	Police and Crime Commissioner:	
91.9	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	(1.5)
0.0	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	61.0
5.9	Additional fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the previous year	0.0
0.5	Fees payable to the Audit Commission in respect of the National Fraud Initiative	0.5
	Chief Constable:	
0.0	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	25.0
98.3		**85.0**

The credit of £1,500 from the Audit Commission represents a rebate in respect of audit fees for 2012/13. 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 to 31 March 2013. The fees in respect of each party are shown in the above table.

37 – 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 they 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 that they 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 was increased by £500,000 in 2011/12. This gave a new balance of £894,000 to cover uninsured losses. There was no cause to draw down any of this reserve balance in 2012/13.

38 – 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.

Further to a court case which was settled against the Commissioner, costs and damages were awarded to the plaintiff. The Police Commissioner did not indemnify the officer involved and has subsequently sought to recover from the officer the costs it has incurred and the costs and damages it has paid to the plaintiff. At the balance sheet date, a sum of approximately £133,500 had been paid by the Commissioner in a prior financial year but the final sum, provision for interest, the means of repayment and the period over which repayment will be made has yet to be settled. This matter was reported in the 2009/10 disclosure. Negotiations with the third party's solicitor are nearing completion.

39 – Events after the reporting period

The Commissioner announced his plans to deliver a new estates strategy to support future policing needs on the six month anniversary of his appointment on 22 May 2013. These plans included a proposal to downsize the current police headquarters in Winchester to a smaller building in the city. The Commissioner also said that he would be selling the Alpha Park site as this was no longer a viable site or location for redevelopment and it did not fit in with the wider plans to set up prisoner investigation centres and to work in partnership in shared and third party premises wherever possible.

At the year and – i.e. prior to the final decision made by the Commissioner - the Alpha Park site was subject to an impairment review, as required by the Code for most property, plant and equipment assets. The previous valuation, which was based on the historic cost of the asset and its service potential, was deemed no longer to be appropriate given the review of the estate which was taking place, the purchase of an alternative property for a smaller headquarters for the constabulary and the recommendation to cease all work on the Alpha Park site made by the Programme Board. Consequently, the asset was revalued on a fair value basis and an impairment was charged to the Comprehensive Income and Expenditure Statement. This charge was reversed out in the Movement in Reserves Statement and there is no impact on the council tax. At the same time, the asset was reclassified as a surplus asset.

Thus, whilst the decision to sell Alpha Park occurred after the balance sheet date (i.e. 31 March 2013), this in itself was not an ‘adjusting’ event (i.e. which would have adjusted the figures reported in the financial statements) as the carrying value of the asset had already been reviewed at the year end.

40 – 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

41 – Notes to the cash flow statement 2012/13

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

2011/12 £'000		2012/13 £'000
(159,732)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(135,134)
	Analysis:-	
(147,966)	Pensions	(123,375)
(12,974)	Depreciation and impairment charged to CIES	(13,900)
(2,701)	Revaluation adjustments	682
8,066	Increase/(Decrease) in Debtors	3,968
(4,803)	(Increase)/Decrease in Creditors	1,768
(145)	Increase/(Decrease) in Inventories	87
356	(Increase)/Decrease in Provisions	486
(898)	Carrying amount of non-current asset and non-current assets held for sale, sold or de-recognised	(573)
1,333	Other non-cash items charged to the net surplus or deficit on the provision of services	(4,277)
(159,732)		(135,134)

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

2011/12 £'000		2012/13 £'000
3,426	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,747
	Analysis:-	
1,161	Proceeds from the sale of PP&E, investment property and intangible assets	626
3,035	Capital grant (included within investing activities)	3,086
(770)	Any other items for which the cash effects are investing or financing cash flows	(965)
3,426		2,747

41.3 Investing activities

2011/12 £'000		2012/13 £'000
5,368	Purchase of property, plant and equipment, investment property and intangible assets	11,007
14,500	Purchase of short-term and long-term investments	15,250
0	Other payments for investing activities	(58)
(1,161)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(626)
0	Proceeds from short-term and long-term investments	0
(3,035)	Other receipts from investing activities	(3,086)
15,672	**Net cash outflow/(inflow) from investing**	**22,487**

41.4 Financing activities

2011/12 £'000		2012/13 £'000
(10,000)	Cash receipts of short- and long-term borrowing	0
(761)	Other receipts from financing activities - interest received	(689)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
819	Repayment of short- and long-term borrowing	1,426
1,531	Other payments for financing activities - interest paid	1,654
(8,411)	**Net cash outflow/(inflow) from financing**	**2,391**

41.5 Cash and cash equivalents

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

2011/12 £'000		2012/13 £'000
50	Cash held	53
1,407	Bank current accounts	1,377
(2,880)	Bank overdraft	(1,420)
16,290	Surplus cash deposited with approved counterparties (on immediate call)	4,320
14,867	**Total Cash and Cash Equivalents**	**4,330**

2011/12 £'000	Police Pension Fund Account	2012/13 £'000
	Contributions receivable	
	- from employer	
(30,775)	- normal	(29,175)
0	- early retirements	0
(1,986)	- ill-health capital equivalent charges	(1,603)
(13,654)	- from members	(14,382)
	Transfers in	
(298)	- individual transfers in from other schemes	(307)
	Benefits payable	
56,303	- pensions	61,445
19,336	- commutations and lump sum retirement benefits	19,059
75	- lump sum death benefits	0
	Payments to and on account of leavers	
82	- refunds of contributions	8
33	- individual transfers out to other schemes	940
29,116	**Net amount payable for the year**	**35,985**
(29,116)	**Additional contribution from the Commissioner**	(35,985)
0		0

2011/12 £'000	Net Assets Statement	2012/13 £'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 £1.43m in 2012/13. 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 Commissioner financial statements 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.

Police Pension Fund Account

The Police Pension Fund was established under the Police Pension Fund Regulations 2007 (SI 2007/1932).

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 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 12.25% or 12.50% of salary (according to salary threshold). Officers joining the scheme after this date pay 10.1% or 10.5% 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 2012/13. 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 9 provides further details of the IAS19 entries and the pension schemes.

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Contributions to Capital Outlay (RCCO)
Amounts paid from revenue funds (charged to the Income and Expenditure Account) to purchase capital assets.

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

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