Hampshire Police and Crime Commissioner

Statement of Accounts 2014/15

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 2015. 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 2014/15. This foreword provides a brief explanation and overview of the financial performance and activities during 2014/15.

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 ensure 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 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 have the power to 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 the Independent Police Complaints Commission, 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, set out the Commissioner's vision and priorities for policing and community safety across Hampshire and the Isle of Wight and is available in summary or 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;
- 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 Local Audit and Accountability Act 2014 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 2014/15 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

There have been no significant changes in accounting policies in the year.

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 (2014) 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

Financial Overview (including economic climate)

In February 2014, the Commissioner approved funding for a net revenue budget for 2014/15 of £306.745m. A 4.8% cash cut in central government funding was partially offset by a 1.99% precept increase.

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, with £12m of savings due to be delivered in 2014/15, the PCC and Constabulary had met all but £1m of the original £55m savings target for the period 2011/12 to 2014/15.

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 and Chief Constable have robust and deliverable plans to achieve the required budget reductions whilst delivering value for money services and maintaining service levels to the public. In its fourth annual "Responding to Austerity" report (July 2014), the HMIC graded the Constabulary as "Good", stating that "Hampshire Constabulary has responded well to the challenge of the spending review. It is well placed to respond to future funding reductions in this on-going era of austerity". Putting these financial challenges into an operational context, the HMIC's PEEL assessment in November 2014 again commented favourably upon Hampshire's Policing Effectiveness, Efficiency and Legitimacy.

During 2014/15, the Bank of England again 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 rates of return 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.

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 2014/15 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 £35.950m of outstanding PWLB loans at actual interest rates ranging between 2.19% and 8.5% and a weighted average overall rate of 4.06%. Of the total outstanding debt , £1.214m of principal is repayable in 2015/16 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 2014/15. Cash balances reached an average of £90.0m during the year and this generated interest of £0.709m, which was an increase over the £0.603m achieved in 13/14, with the average yield being maintained at around 0.8%. At 31 March 2015 the investment holding stood at £84.1m.

Pensions

The Constabulary''s net pension liability has increased by £383.3m from £2,651.1m at 31 March 2014 to £3,034.5m at 31 March 2015. The Commissioner's assessed share of the value of the plan assets of the Local Government Superannuation scheme showed an increase of £36.6m while the assessed present value of the Commissioner's liabilities on all pension schemes increased by £419.9m.

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 and the Group'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 2015 the general reserve stood at £18.681m before any additional transfers to earmarked reserves are approved by the Commissioner. This general reserve balance represents an increase of £2.715m when compared to 31 March 2014. 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 £8.72m by the end of March 2015.

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 as a contingency to support the base budget and the Transformation

Reserve for temporary shortfalls. The balance on the Risk Reserve was £7.662m 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 £33.685m at 31 March 2015 (£24.954m at 31 March 2014). Total usable reserves were £84.29m at 31 March 2015 (£74.49m at 31 March 2014).

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. The Commissioning Reserve stood at £1.703m at 31 March 2015 (£1.976m at 31 March 2014).

The medium-term financial strategy approved by the Commissioner as part of the 2015/16 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, £10.498m belongs to the ACPO Criminal Records Office and associated activities, partly as a surety (£4.394m) but mainly to support its on-going activity (£6.104m) and £2.072m 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

There are no unusual charges or credits within the accounts.

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 2015 was £3.793m (£4.507m as at 31 March 2014).

A contingent liability of £33m is recorded in these accounts as a result of a successful challenge to the Government to backdate changes in commutation factors for a period when these had not been updated. This will result in approximately 1,000 pensioners receiving additional lump sum payments and interest as a result of late payment. This case has now been determined by the Pensions Ombudsman and the Home Office has decided not to challenge the outcome. The Government's actuary is in the process of providing actuarial tables for Forces to determine the liability (including interest) but at the time of preparing these accounts insufficient information was available to help quantify this sum. 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.

Collaborative working

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. The 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 a shared Assistant Chief Constable 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.

During 2014/15, the Constabulary entered into joint working agreements with Hampshire County Council and Hampshire Fire and Rescue Service for the provision of professional support services including finance, HR, IT, facilities management and procurement across the three organisations. The services are hosted but not controlled by Hampshire County Council as they are delivered with joint direction, governance, control and senior management with each organisation accounting for its share of the costs.

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 £3,034m at 31 March 2015 which has resulted in an overall negative balance of £2,842m. However finance is only required for the police pensions when the amounts are actually paid.

Revenue Expenditure

In 2014/15, the reported outturn position, subject to audit, was net expenditure of £298.9m against a budget of £306.8m on policing services for the people of Hampshire and the Isle of Wight.

Summary Income and Expenditure

The subjective analysis table below shows that there was a deficit of £111.9m on the provision of services for 2014/15 in the statutory financial statements for the group as a whole (£115.9m deficit in 2013/14). 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 2014/15 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 £3.158m. This is before adding the general underspend and any transfers to reserves for holding account balances. Taking into account all reserve movements in the course of the year and at the year-end, total usable reserves had increased by £9.8m at 31 March 2015.

Subjective Analysis

	Revenue Budget 2014/15 Subjective Analysis			Income and Expenditure Account Analysis	
	Constabulary	PCC	Total	Reconciling items to the Financial Accounts	Total
	£000	£000	£000	£000	£000
Expenditure:					
Employees	243,601	2,268	245,869	20,050	265,919
Premises	0	11,964	11,964	1,108	13,072
Transport	6,764	82	6,846	465	7,311
Supplies and services	19,402	3,782	23,184	112	23,296
Third Party Payments	46,496	23	46,519	398	46,917
Capital financing (net)	3,452	0	3,452	(3,452)	0
Depreciation, amortisation and impairment	0	0	0	6,978	6,978
Pensions interest cost and expected return on pensions assets	0	0	0	111,990	111,990
Interest payments	0	0	0	1,512	1,512
Precepts and levies	0	0	0	2,029	2,029
Gain or loss on disposal of fixed assets	0	0	0	(846)	(846)
Total expenditure	319,715	18,119	337,834	140,344	478,178
Income:					
Service income	(34,587)	(198)	(34,785)	(7,097)	(41,882)
Additional specific grants	(5,977)	(1,331)	(7,308)	(5,697)	(13,005)
Interest and investment income	0	0	0	(727)	(727)
Income and council tax	0	0	0	(100,028)	(100,028)
Government grants and contributions	0	0	0	(210,586)	(210,586)
Total income	(40,564)	(1,529)	(42,093)	(324,135)	(366,228)
Contributions to/(from) reserves	6,692	(3,534)	3,158	(3,158)	0
Net expenditure/(income)	285,843	13,056	298,899	(186,949)	111,950

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 £26.710m for 2014/15 in February 2013, including costs for the first phase of the Estates Change Programme (ECP). However, it was recognised that much of the ECP needed the development and approval of full business cases before resources could be committed.

The capital programme was updated and revised in the year to reflect commitments carried forward and slippage from 2013/14. The programme was reduced to £21.906m.

Total spend against the revised programme was £11.4m, with an underspend of £10.5m due in the main to slippage on the ECP (£4.7m underspend), reduced spend on the mobile information project and an underspend of £2.0m on the vehicle replacement programme. 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) and capital receipts from the disposal of surplus properties (part of the ECP).

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 small increase of £0.101m 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:

2013/14 £m		2014/15 £m
	Expenditure:	
0.8	Land & Buildings	6.4
3.1	Vehicles (Including Boats) and Plant	2.6
3.7	IT & Operational Equipment	2.4
7.6	**Total**	**11.4**
	Funded by:	
(3.6)	Government Grant	(3.5)
(1.8)	Capital Receipts	(4.0)
(2.2)	Revenue Contributions	(1.8)
0.0	Borrowing (incl. Internal)	(2.1)
(7.6)	**Total**	**(11.4)**

Future Prospects

Financial

The Police and Crime Commissioner approved a net revenue budget for 2015/16 of £301.3m, which represented a decrease in net budget compared to 2014/15 of £5.445m (1.8%). The DCLG again imposed a cap of 2% on council tax increases and the

Commissioner approved a 1.99% (£3.07) precept increase which increased the council tax rate for band D to £157.33.

The medium term spending forecast shows an estimated budget shortfall of £15m by 2018/19, even after factoring in an assumed 1.99% council tax precept increase. If there were to be a council tax freeze each year, this would increase the shortfall by £8m by 2018/19.

Operational

It was reported in 2013/14 that there would be significant changes in operational working (i.e. the Operational Change Programme (OCP) in 2014/15 as the operational change programme delivered major changes , including 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 for neighbourhood policing. Elsewhere, response policing was to be carried out using a model which was borderless. The Estates Change Programme (ECP) was to be a key facilitator by achieving the following objectives:-

- Replacing 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.
- Making more efficient use of the remaining estate by including smarter working initiatives.
- Entering into partnership wherever possible and practicable to reduce the estate running costs and supporting a more joined up approach to public service delivery across Hampshire and the Isle of Wight.
- Delivering on the Commissioner's priorities in the Police and Crime Plan.

The OCP is a significant undertaking that reviews the vast majority of frontline services. It will deliver significant savings to cover the expected budget reductions for 2015/16 and 2016/17. A net total of £10m has been removed from the 2015/16 budget through this programme, which has been designed to improve the efficiency of frontline services and reduce demand on them. A major re-structure across the Force took place during the period January to March 2015, which will put in place the changes required to achieve the target.

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. On this date, all operational staff transferred to the Chief Constable, with the principal exceptions being staff who work directly for the Commissioner and all non-police personnel working on the Estate Change Programme. The Commissioner retained 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 2014/15 give a true and fair view of the financial position of the Commissioner and the group at 31 March 2015 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 21 September 2015

Signed:

Date:

Opinion on the Commissioner's and Pension Fund accounting statements

We have audited the financial statements of the Police and Crime Commissioner for Hampshire for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement - Group, the Comprehensive Income and Expenditure Statement – Group, the Comprehensive Income and Expenditure Statement - PCC the Balance Sheet - Group, the Balance Sheet – PCC, the Cash Flow Statement - Group, the Cash Flow Statement – PCC, and the related notes 1 to 40; and the Police Pension Fund Account, The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts – PCC and Group Accounts set out on page 14, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Hampshire and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Hampshire as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Police and Crime Commissioner and the auditor

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Police and Crime Commissioner has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Hampshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

Helen Thompson
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
XX September 2015

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, recognised as setting out best practice in corporate governance 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, 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 2015 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 the effectiveness of the governance framework.

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, Deputy and Assistant Commissioners, Chief Executive, Director of Estate Strategy 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 the Accounts and Audit (England) Regulations is reported to the Joint Audit Committee.

3.5 Operations, ICT and Information Management are the subject of collaboration arrangements between Hampshire and Thames Valley. The formal governance framework and performance accountability of the collaborated Operations, ICT and Information Management units were agreed by the Commissioners for Hampshire and Thames Valley, as well as the collaboration business plan 2014-16. This Collaboration 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 2014/15. 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 the 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 In 2014/15, the financial and human resources records for the Office of the Police and Crime Commissioner were migrated to the SAP solution used by the H3 partnership that provides corporate support functions, including internal audit services. This is the first partnership of this type in the UK. Support has been received from the Home Office for this initiative. H3 is governed through meetings of the Strategic Partnerships Board, comprising the Chief Constable, Chief Executive of Hampshire County Council and Chief Officer of Hampshire Fire and Rescue Service.

3.7 It should be noted that the Police Service has experienced cuts of over 20% in real terms since austerity measures were introduced in 2010/11. Therefore, the governance framework has to be able to manage significant changes in organisational structure, systems and processes in order to undertake the necessary changes.

3.8 Policing involves the handling of large amounts of data that is both personal and sensitive. The Senior Information Risk Owner (SIRO) for the Office of the PCC is the Chief Executive. The SIRO for the Constabulary is the Assistant Chief Constable whose remit includes Information. This is a shared position with Thames Valley Police. The SIRO is responsible for the risk profile, identifying risks and making sure that mitigations are in place.

3.9 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. the Police and Crime Plan was refreshed to ensure that 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 appointed a Deputy and two further Assistant Commissioners. These additions increased the size of the Leadership team and allowed more focus on delivering the priorities set out in the Police and Crime Plan. The Chief Executive role continues to be carried out 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. The continuation of this arrangement was confirmed by unanimous approval of the Police and Crime Panel following a statutory confirmation hearing in January 2015.

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

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. The Constabulary has developed its “21 Commitments” in support of the Police and Crime Plan priorities, and progress against these commitments is the subject of review at quarterly “Progress 21” meetings between the Commissioner and Chief Constable. Members of the public can look at the Crime Reports tool on the useful links section of the website to see how crime, incidents and anti-social behaviour is being dealt with in their area. The Head of Commissioning also assists in ensuring that partners deliver the performance promised through commissioned services. The Commissioner’s Annual Report published on the website reviews performance against the priorities. 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 Director of Estate Strategy has designed a revised framework for risk management for the OPCC. A new strategy and register was introduced in 2014/15 to improve the approach to risk management.

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 Constabulary’s Assistant Chief Officer and 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 during 2014/15. The terms of reference for the Joint Audit Committee were determined by the Police and Crime Commissioner and follow recent guidance from CIPFA specifically tailored for Police Joint Audit Committees. The terms of reference will be subject to annual review.

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 invites 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 2015 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 A comprehensive repairs and maintenance plan has been agreed to satisfy the concerns raised by the Health and Safety Executive regarding maintenance and a work programme, agreed with Hampshire Fire and Rescue Service, has been delivered to improve fire safety at Police Headquarters. These are no longer issues of concern.

5.2 The review of effectiveness previously identified a need to update processes for risk management and business continuity across the OPCC and Constabulary. Improvements have been made and a new policy and register was introduced in 2014/15 providing a coherent framework for identification and management of risk during a period of significant change for the service. Internal audit reviews found that the arrangements are now adequate, but as this is still a relatively new arrangement, work will be needed to continue to embed the approach and ensure awareness.

5.3 The Joint Audit Committee met for the first time in May 2013. Terms of reference were set out at that meeting but were subsequently reviewed in line with CIPFA guidance specifically for Police Joint Audit Committees.These will be subject to annual review.

5.4 The Commissioner proposes 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.

Police and Crime Commissioner

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		*15*		*16*			*32*		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 1 April 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)**	
Movements during 2014/15									
Surplus or (deficit) on the provision of services	(111,950)	0	0	0	0	(111,950)	0	(111,950)	
Other comprehensive income and (expenditure)	0	0	0	0	0	0	(259,734)	(259,734)	
Total Comprehensive Income and Expenditure	(111,950)	0	0	0	0	(111,950)	(259,734)	(371,684)	
Adjustments between accounting basis & funding basis under regulations	123,388	0	(1,070)	(568)	0	121,750	(121,750)	0	*14*
Net Increase/(Decrease) before Transfers to Earmarked Reserves	11,438	0	(1,070)	(568)	0	9,800	(381,484)	(371,684)	
Transfers to/from earmarked reserves	(8,723)	8,723	0	0	0	0	0	0	*15*
Increase/(Decrease) in Year	**2,715**	**8,723**	**(1,070)**	**(568)**	**0**	**9,800**	**(381,484)**	**(371,684)**	
Balance at 31 March 2015	**18,681**	**65,187**	**0**	**422**	**0**	**84,290**	**(2,925,935)**	**(2,841,645)**	

Movement in Reserves Statement - PCC

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	*Note*
Note		*15*		*16*			*32*		
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Balance at 1 April 2013	**14,306**	**45,790**	**0**	**1,815**	**0**	**61,911**	**112,742**	**174,653**	
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	0	0	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**	**185,764**	
Movements during 2014/15									
Surplus or (deficit) on the provision of services	10,626	0	0	0	0	10,626	0	10,626	
Other comprehensive income and (expenditure)	0	0	0	0	0	0	236	236	
Total Comprehensive Income and Expenditure	10,626	0	0	0	0	10,626	236	10,862	
Adjustments between accounting basis & funding basis under regulations	812	0	(1,070)	(568)	0	(826)	826	0	*14*
Net Increase/(Decrease) before Transfers to Earmarked Reserves	11,438	0	(1,070)	(568)	0	9,800	1,062	10,862	
Transfers to/from earmarked reserves	(8,723)	8,723				0		0	*15*
Increase/(Decrease) in Year	**2,715**	**8,723**	**(1,070)**	**(568)**	**0**	**9,800**	**1,062**	**10,862**	
Balance at 31 March 2015	**18,681**	**65,187**	**0**	**422**	**0**	**84,290**	**112,336**	**196,626**	

Comprehensive Income and Expenditure Statement - Group

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.

2013/14				2014/15			Note
Group CIES				Group CIES			
Net Expenditure	Gross Expenditure	Gross Income		Net Expenditure	Gross Expenditure	Gross Income	
£'000	£'000	£'000		£'000	£'000	£'000	
134,420	138,456	(4,036)	Local policing	123,893	128,718	(4,825)	
28,865	29,102	(237)	Dealing with the public	31,506	31,824	(318)	
28,476	30,072	(1,596)	Criminal justice arrangements	31,592	33,568	(1,976)	
12,724	17,590	(4,866)	Roads policing	11,592	17,507	(5,915)	
16,344	19,360	(3,016)	Operational support	13,978	17,629	(3,651)	
14,556	15,061	(505)	Intelligence	15,227	15,849	(622)	
77,879	80,107	(2,228)	Investigation	70,767	73,418	(2,651)	
11,763	11,865	(102)	Investigative support	13,253	13,393	(140)	
(5,292)	23,281	(28,573)	National policing	(5,363)	29,425	(34,788)	
1,707	1,708	(1)	Corporate and democratic core	1,822	1,823	(1)	9
(2,169)	(2,169)	0	Non distributed costs	339	339	0	
319,273	**364,433**	**(45,160)**	**Net Cost of Police Services**	**308,606**	**363,493**	**(54,887)**	
1,699			Other operating (income) and expenditure	1,183			17
111,762			Financing and investment income and expenditure	112,775			18
(316,861)			Taxation and non specific grant income	(310,614)			13
115,873			**(Surplus) / Deficit on Provision of Services**	**111,950**			
(421)			(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	(216)			32.5
0			(Surplus) / deficit on revaluation of available for sale financial assets	(20)			
20,150			Return on plan assets	(18,890)			8
(113,812)			Actuarial (gains) / losses on pension assets/liabilities	278,860			8
0			Any other (gains) / losses	0			
(94,083)			**Other Comprehensive Income and Expenditure**	**259,734**			
21,790			**Total Comprehensive Income and Expenditure**	**371,684**			

2013/14				2014/15			Note
Net Expenditure	Gross Expenditure	Gross Income		Net Expenditure	Gross Expenditure	Gross Income	
£'000	£'000	£'000		£'000	£'000	£'000	
3,946	3,956	(10)	Local policing	7,683	7,817	(134)	
728	729	(1)	Dealing with the public	1,953	1,962	(9)	
679	684	(5)	Criminal justice arrangements	2,008	2,063	(55)	
637	652	(15)	Roads policing	1,100	1,265	(165)	
656	665	(9)	Operational support	1,103	1,205	(102)	
419	421	(2)	Intelligence	995	1,012	(17)	
1,818	1,825	(7)	Investigation	3,971	4,045	(74)	
237	237	0	Investigative support	821	825	(4)	
225	312	(87)	National policing	884	1,853	(969)	
1,496	1,497	(1)	Corporate and democratic core	1,682	1,683	(1)	*9*
2,235	2,235	0	Non distributed costs	122	122	0	
13,076	**13,213**	**(137)**	**Net Cost of Police Services before funding**	**22,322**	**23,852**	**(1,530)**	
290,474	335,497	(45,023)	Intra-group funding	275,698	329,055	(53,357)	
303,550	**348,710**	**(45,160)**	Net Cost of Police Services	**298,020**	**352,907**	**(54,887)**	
1,699			Other operating (income) and expenditure	1,183			*17*
922			Financing and investment income and expenditure	785			*18*
(316,861)			Taxation and non specific grant income	(310,614)			*13*
(10,690)			**(Surplus) / Deficit on Provision of Services**	**(10,626)**			
(421)			(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	(216)			*32.5*
0			(Surplus) / deficit on revaluation of available for sale financial assets	(20)			
(421)			**Other Comprehensive Income and Expenditure**	**(236)**			
(11,111)			**Total Comprehensive Income and Expenditure**	**(10,862)**			

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 2014		31 March 2015	*Note*
£'000		**£'000**	
149,812	Property, plant and equipment	153,178	*19*
3,350	Long term investments	11,370	*25*
643	Long term debtors	653	*25*
153,805	**Long Term Assets**	**165,201**	
37,000	Short term investments	51,632	*25*
4,669	Assets held for sale	2,099	*21*
943	Inventories	1,508	*26*
39,611	Short term debtors	41,817	*27*
31,979	Cash and cash equivalents	18,584	*28*
114,202	**Current Assets**	**115,640**	
(1,436)	Short term borrowing	(1,931)	*25*
(1,558)	Grants received in advance - revenue	(798)	*13*
(212)	Other short-term liabilities	(212)	
(46,182)	Short term creditors	(49,824)	*29*
(351)	Provisions	(159)	*30*
(49,739)	**Current Liabilities**	**(52,924)**	
(35,950)	Long term borrowing	(34,236)	*25*
(1,061)	Other long term liabilities	(849)	
(2,651,217)	Liability related to pension schemes	(3,034,477)	*8*
(2,688,228)	**Long Term Liabilities**	**(3,069,562)**	
(2,469,960)	**Net Assets/(Liabilities)**	**(2,841,645)**	
74,490	Usable reserves	84,290	*MiRS*
(2,544,450)	Unusable reserves	(2,925,935)	*32*
(2,469,960)	**Total Reserves**	**(2,841,645)**	

31 March 2014		31 March 2015	Note
£'000		£'000	
149,812	Property, plant and equipment	153,178	19
3,350	Long term investments	11,370	25
643	Long term debtors	653	25
153,805	**Long Term Assets**	**165,201**	
37,000	Short term investments	51,632	25
4,669	Assets held for sale	2,099	21
943	Inventories	1,508	26
39,611	Short term debtors	41,817	27
31,979	Cash and cash equivalents	18,584	28
114,202	**Current Assets**	**115,640**	
(1,436)	Short term borrowing	(1,931)	25
(1,558)	Grants received in advance - revenue	(798)	13
(212)	Other short-term liabilities	(212)	
(41,675)	Short term creditors	(46,031)	29
(351)	Provisions	(159)	30
(45,232)	**Current Liabilities**	**(49,131)**	
(35,950)	Long term borrowing	(34,236)	25
(1,061)	Other long term liabilities	(849)	
(37,011)	**Long Term Liabilities**	**(35,084)**	
185,764	**Net Assets/(Liabilities)**	**196,626**	
74,490	Usable reserves	84,290	*MiRS*
111,274	Unusable reserves	112,336	32
185,764	**Total Reserves**	**196,626**	

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.

2013/14 £'000		2014/15 £'000	Note
115,873	Net (surplus) or deficit on the provision of services	111,950	CIES
(142,484)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(132,910)	38.1
5,512	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,674	38.2
(21,099)	Net cash flows from Operating Activities	(15,286)	
(8,933)	Investing Activities	25,953	38.3
2,383	Financing Activities	2,728	38.4
(27,649)	Net (increase) or decrease in cash and cash equivalents	13,395	
4,330	Cash and cash equivalents at the beginning of the reporting period	31,979	
31,979	Cash and cash equivalents at the end of the reporting period	18,584	38.5

2013/14 £'000		2014/15 £'000	Note
(10,690)	Net (surplus) or deficit on the provision of services	(10,626)	CIES
(15,921)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(10,334)	39.1
5,512	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,674	39.2
(21,099)	Net cash flows from Operating Activities	(15,286)	
(8,933)	Investing Activities	25,953	39.3
2,383	Financing Activities	2,728	39.4
(27,649)	Net (increase) or decrease in cash and cash equivalents	13,395	
4,330	Cash and cash equivalents at the beginning of the reporting period	31,979	
31,979	Cash and cash equivalents at the end of the reporting period	18,584	39.5

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 (2014). 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.

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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

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.

Where financial 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 2014/15 (i.e. SeRCOP) specifies the headings to present the statutory income and expenditure accounts and defines those headings. The requirement for 2014/15 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 are apportioned on the basis of floor areas, personnel support costs are based on staff numbers and finance support costs are based on budgets.

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 has 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 Police 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 Chief 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 2014/15 the Chief Constable paid an employer's contribution representing 13.1% of pensionable pay in addition to a fixed charge element totalling £4.014m. The contribution rate is determined by the Fund's actuary based on valuations every three years. The employers' contribution rate for 2015/16 will remain at 13.1% of pensionable pay, but the fixed charge element is expected to increase to £4.368m.

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 the 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. The modest size of the turnover of this account (c £129,000) means that no separate disclosure is made.

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 2014/15* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the 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 IAS 2, but these inventory items are, on the whole, fast moving and interchangeable; any differences between cost, net realisable value or latest buying price 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 2015. 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 were no changes in the 2014/15 Code which affected these statements.

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

There are a number of accounting standards that have been issued but not yet adopted:

- IFRS 13 *Fair Value Measurement* provides a single definition of fair value which applies to assets and liabilities covered by International Accounting Standards that currently permit or require measurement at fair value. This standard is to be applied prospectively and it is anticipated that it will not have a material impact on the Statement of Accounts.
- The Annual Improvements to IFRS (2011-13 Cycle) cover the following issues:
    - IFRS 1: Meaning of effective IFRSs;
    - IFRS 3: Scope exceptions for joint ventures;
    - IFRS 13: Scope of portfolio exception;
    - IFRS 40: Clarifying the interrelationship of IFRS3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

As none of the issues covered by the improvements are relevant to the Group, there will be no impact on the Statement of Accounts.

- IFRIC 21 Levies provides guidance on when to recognise a liability for a levy imposed by a government that is not in the scope of another accounting standard. As the Group does not expect to have any levies imposed on it by a government, there will be no impact on the statement of accounts.

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

Subjective Analysis of Income and Expenditure

Whilst not reported as prior period adjustments, as these are minor presentational items, the Comprehensive Income and Expenditure Statement and other subjective analyses, show some changes to the categorisation of items to both reflect the level of third party payments and to reflect the change to a new financial system and associated reporting during the course of 2014/15. The main changes are as follows:-

- Third party payments to other local authorities or policing bodies are shown as a separate category in the CIES subjective analysis at Note 6. Previously, these would have been included as supplies and services;
- Travel and subsistence costs are now included as either employee costs or supplies and services, according to the type of expenditure which is reimbursable;
- IT and communications costs are now included as third party payments or supplies and services.

The comparators for the 2013/14 financial year have been restated for ease of comparison with the 2014/15 figures. As these do not have any impact on other disclosures, no further details are required.

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 have been significant cuts in levels of funding for Commissioners over the past five years and further budget reductions are anticipated following the election of a new government in May 2015. There thus 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, changes are now well underway in service delivery and the force estate structure. This will culminate in a reduction in the current estate, investment in the current custody estate through the creation of prisoner investigation centres and the extension of joint working and co-location with other local authorities and other partners as bases for safer neighbourhood teams;
- An assessment of the Commissioner’s interests in companies and other entities has been carried out in accordance with the Code of Practice to determine whether any group accounting relationships exist. This review sought to determine whether there was any control over another entity as possibly demonstrated through ownership, such as shareholding in an entity or representation on an entity’s board of directors. The PCC is involved in joint working relationships with a number of other police forces, Hampshire County Council and the Hampshire Fire and Rescue Service in the provision of operational police activity or, with the latter two bodies, support services. None of these working arrangements and collaborations is deemed to require the inclusion of such in the group accounts. Rather, the relevant transactions equating to the Commissioner’s own expenditure in the partnership are included as appropriate. Further information is disclosed in note 10.

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 from CIPFA in the form of Local Authority Accounting Panel (LAAP) Bulletins and other communiqués now in place. 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;
- A Stage 2 transfer scheme was approved by the Home Office Police Minister in 2014, with an agreed commencement date of 1 May 2014. Rather than make any fundamental change to the nature of the interrelationship between the Police and Crime Commissioner and the Chief Constable, as separate 'corporations sole' under a 'group' accounting arrangement (with the PCC having primacy), the Stage 2 transfer merely formalised certain aspects such as the having the majority of officers and staff under the command and control of the Chief Constable and the assets being owned exclusively by the Commissioner.

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 2014/15 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,	√	√	This is recorded in the accounts of whichever party the income is directly attributable or whose activities it relates to.

	Accounting determination		
Consideration	**PCC**	**CC**	**Reasoning**
statutory charges etc.) and other contributions and donations			
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.
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 2015 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 approximately £100,000 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 1.8% and a decrease in the Local Government Superannuation Scheme liabilities of 2.3%. 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

			CIES Subjective				
	2013/14				2014/15		
PCC	CC	Group		PCC	CC	Group	Note
£'000	£'000	£'000	**Gross Expenditure**	£'000	£'000	£'000	
896	281,192	282,088	Employees (including police pensions)	2,240	263,679	265,919	
222	12,687	12,909	Premises	9,157	3,915	13,072	
23	7,820	7,843	Transport	82	7,229	7,311	
2,341	16,267	18,608	Supplies and Services	3,833	19,463	23,296	
	33,254	33,254	Third party Payments		46,917	46,917	
9,731	0	9,731	Depreciation and Impairment	6,978		6,978	19, 21
13,213	**351,220**	**364,433**	**Gross cost of services**	**22,290**	**341,203**	**363,493**	
			Service Income				
0	(38,683)	(38,683)	Service Income	(287)	(41,595)	(41,882)	
(137)	(6,340)	(6,477)	Additional Grants	(1,242)	(11,763)	(13,005)	13
(137)	**(45,023)**	**(45,160)**	**Total Service Income**	**(1,529)**	**(53,358)**	**(54,887)**	
290,474	(290,474)	0	Intra group adjustment	277,259	(277,259)	0	
303,550	**15,723**	**319,273**	**Net Cost of Services**	**298,020**	**10,586**	**308,606**	
1,699	0	1,699	Other operating income and expenditure	1,183	0	1,183	17
922	110,840	111,762	Financing and investment income and expenditure	785	111,990	112,775	18
(316,861)	0	(316,861)	Taxation and non specific grant income	(310,614)	0	(310,614)	13
(10,690)	**126,563**	**115,873**	**(Surplus) or Deficit on Provision of Services**	**(10,626)**	**122,576**	**111,950**	
(421)	0	(421)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	(216)	0	(216)	32.5
0	0	0	Surplus or deficit on revaluation of available for sale financial assets	(20)	0	(20)	
0	20,150	20,150	Return on plan assets	0	(18,890)	(18,890)	
0	(113,812)	(113,812)	Actuarial (gains)/losses on pension assets/liabilities	0	278,860	278,860	8
(421)	**(93,662)**	**(94,083)**	**Other Comprehensive Income and Expenditure**	**(236)**	**259,970**	**259,734**	
(11,111)	**32,901**	**21,790**	**Total Comprehensive Income and Expenditure**	**(10,862)**	**382,546**	**371,684**	

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;
- 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 2014/15 and for 2013/14 as the comparator. The first page for each year 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 at 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.

Reporting to the Commissioner during 2014/15 was on a more summarised basis than in the comparator year as the Commissioner and Constabulary moved to a new financial system – i.e. as part of the efficiencies in the H3 partnership, joining together business support services – which entailed moving to a different chart of accounts and reporting processes. These changes are reflected in the following tables for 2014/15 but the comparators have not been restated.

2014/15	Police Service	General Items	Police and Crime Commissioner	Group Total
	£'000	£'000	£'000	£'000
Expenditure:				
Employees	243,600	0	2,268	**245,868**
Premises	0	0	11,964	**11,964**
Transport	6,766	0	82	**6,848**
Supplies and Services	19,403	0	3,782	**23,185**
Third Party Payments	46,495	0	23	**46,518**
Capital Financing (net)	0	3,452	0	**3,452**
Total Expenditure	**316,264**	**3,452**	**18,119**	**337,835**
Income:				
Service Income	(34,587)	0	(198)	**(34,785)**
Additional Specific Grants	(5,978)	0	(1,331)	**(7,309)**
Total Income	**(40,565)**	**0**	**(1,529)**	**(42,094)**
Contributions to/(from) reserves	**7,357**	**(665)**	**(3,534)**	**3,158**
Net Expenditure	**283,056**	**2,787**	**13,056**	**298,899**

Reconciliation of portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	**£000**
Net expenditure in the Portfolio Analysis	**298,899**
Net expenditure of services and support services not included in the Analysis	**27**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	**17,929**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**(8,249)**
Cost of Services in Comprehensive Income and Expenditure Statement	**308,606**

2014/15	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure:							
Employees	245,868	9,100	10,951	0	**265,919**	0	**265,919**
Premises	11,964	1,108	0	0	**13,072**	0	**13,072**
Transport	6,848	463	0	2	**7,313**	0	**7,313**
Supplies and Services	23,185	111	0	0	**23,296**	0	**23,296**
Third Party Payments	46,518	398	0	0	**46,916**	0	**46,916**
Capital Financing (net)	3,452	0	0	(3,452)	**0**	0	**0**
Depreciation, amortisation and impairment	0	0	6,978	0	**6,978**	0	**6,978**
Pensions interest cost and expected return on pension assets						111,990	**111,990**
Interest Payments						1,512	**1,512**
Precepts & Levies						2,029	**2,029**
Gain or Loss on Disposal of Fixed Assets						(846)	**(846)**
Total Expenditure	**337,835**	**11,180**	**17,929**	**(3,450)**	**363,494**	**114,685**	**478,179**
Income:							
Service Income	(34,785)	(7,097)	0	0	**(41,882)**	0	**(41,882)**
Additional Specific Grants	(7,309)	(5,697)	0	0	**(13,006)**	0	**(13,006)**
Interest and investment income					**0**	(727)	**(727)**
Income from council tax					**0**	(100,028)	**(100,028)**
Government grants and contributions					**0**	(210,586)	**(210,586)**
Total Income	**(42,094)**	**(12,794)**	**0**	**0**	**(54,888)**	**(311,341)**	**(366,229)**
Contributions to/(from) reserves	**3,158**	**1,641**	**0**	**(4,799)**	**0**	**0**	**0**
Net Expenditure	**298,899**	**27**	**17,929**	**(8,249)**	**308,606**	**(196,656)**	**111,950**

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	Total
	£'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	**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**

	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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**

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 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)	
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
Comprehensive Income and Expenditure Statement						
Cost of Services						
- Current service cost	42,680	36,050	8,460	6,950	11,040	10,490
- Past service costs	0	0	0	0	190	210
- (Gain)/loss from settlements	0	0	0	0	(4,960)	0
Financing and Investment Income and Expenditure						
Net interest expense	101,930	102,430	2,560	2,800	4,010	4,390
Total Charge to the Surplus or Deficit on the Provision of Services	**144,610**	**138,480**	**11,020**	**9,750**	**10,280**	**15,090**
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	20,150	(18,890)
- Actuarial (Gains)/Losses arising:-						
- from changes in experience	180	(15,650)	(10)	(10)	(2,480)	(1,580)
- from changes in demographic assumptions	29,040	0	1,170	0	(9,210)	0
- from changes in financial assumptions	(136,103)	219,820	(1,399)	**26,320**	6,550	43,820
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**37,727**	**342,650**	**10,781**	**36,060**	**25,290**	**38,440**
Movement in Reserves Statement						
Reverse charge to Provision of Services	**(144,610)**	**(138,480)**	**(11,020)**	**(9,750)**	**(10,280)**	**(15,090)**
Actual Amount charged against the General Fund Balance for pensions in the year						
Employer's contributions to the scheme	**24,307**	**25,040**	**5,131**	**5,190**	**11,650**	**11,810**
Benefits paid direct to beneficiaries	**0**	**0**	**0**	**0**	**0**	**0**
Charge on General Fund	**24,307**	**25,040**	**5,131**	**5,190**	**11,650**	**11,810**

[table continues on the next page]

	Injury Pensions (police officers)		All schemes - Summary	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
- Current service cost	1,520	1,350	63,700	**54,840**
- Past service cost	0	0	190	**210**
- (Gain)/loss from settlements	0	0	(4,960)	**0**
Financing and Investment Income and Expenditure				
Net interest expense	2,340	2,370	110,840	**111,990**
Total Charge to the Surplus or Deficit on the Provision of Services	**3,860**	**3,720**	**169,770**	**167,040**
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**	**20,150**	**(18,890)**
- Actuarial (Gains)/Losses arising:-				
- from changes in experience	**80**	**(330)**	**(2,230)**	**(17,570)**
- from changes in demographic assumptions	**640**	**0**	**21,640**	**0**
- from changes in financial assumptions	**(2,270)**	**6,470**	**(133,222)**	**296,430**
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**2,310**	**9,860**	**76,108**	**427,010**
Movement in Reserves Statement				
Reverse charge to Provision of Services	**(3,860)**	**(3,720)**	**(169,770)**	**(167,040)**
Actual Amount charged against the General Fund Balance for pensions				
Employer's contributions payable to the scheme	**0**	**0**	**41,088**	**42,040**
Benefits paid direct to beneficiaries	**1,770**	**1,710**	**1,770**	**1,710**
Charge on General Fund	**1,770**	**1,710**	**42,858**	**43,750**

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. This change in accounting standard was reflected as a change in accounting policy in 2013/14.

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 2015.

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:-

	Police Pension Scheme (PPS)		New Police Pension Scheme (NPPS)		Local Govt Pension Scheme	
Value at year ending	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£m	£m	£m	£m	£m	£m
Present value of the defined benefit obligation	2,424.57	2,742.18	65.04	95.91	290.62	353.88
Fair value of plan assets	0.00	0.00	0.00	0.00	(185.03)	(221.66)
Sub-total	2,424.57	2,742.18	65.04	95.91	105.59	132.22
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	2,424.57	2,742.18	65.04	95.91	105.59	132.22

	Injury Pensions (police officers)		Total	
Value at year ending	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£m	£m	£m	£m
Present value of the defined benefit obligation	55.92	64.07	2,836.15	3,256.04
Fair value of plan assets	0.00	0.00	(185.03)	(221.66)
Sub-total	55.92	64.07	2,651.12	3,034.38
Other movement in the liability (asset)	0.00	0.00	0.00	0.00
Net liability/(asset) arising from the defined benefit	55.92	64.07	2,651.12	3,034.38

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)	
	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £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)	45.03	47.90	(7.99)	(7.74)	0.00	0.00
Employer contributions	24.31	25.04	5.13	5.19	1.77	1.71
Contributions by scheme participants	12.83	12.71	2.45	2.58	0.00	0.00
Benefits Paid	(82.17)	(85.65)	0.41	(0.03)	(1.77)	(1.71)
Closing fair value of assets	0.00	0.00	0.00	0.00	0.00	0.00

	Local Govt Pension Scheme	
	2013/14 £m	2014/15 £m
Opening fair value of assets	191.56	185.03
Interest income	9.22	8.35
Remeasurement gains and (losses):-		
- the return on plan assets (excluding the amount included in the net interest expense)	(20.15)	18.89
Employer contributions	11.65	11.81
Contributions by scheme participants	3.84	3.77
Settlements	(6.91)	0.00
Benefits Paid	(4.18)	(6.19)
Closing fair value of assets	185.03	221.66

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	
	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m
Opening Balance - 1 April	(2,411.15)	(2,424.57)	(59.39)	(65.04)	(283.51)	(290.62)
Current Service Cost	(42.68)	(36.05)	(8.46)	(6.95)	(11.04)	(10.49)
Interest Cost	(101.93)	(102.43)	(2.56)	(2.80)	(13.23)	(12.74)
Contributions from scheme participants	(12.83)	(12.71)	(2.45)	(2.58)	(3.84)	(3.77)
Remeasurement (gains) and losses:						
Actuarial gains and (losses) arising:-						
- from changes in experience	(0.18)	15.65	0.01	0.01	2.48	1.58
- from changes in demographic assumptions	(29.04)	0.00	(1.17)	0.00	9.21	0.00
- from changes in financial assumptions	91.07	(267.72)	9.39	(18.58)	(6.55)	(43.82)
Liabilities extinguished on settlements	0.00	0.00	0.00	0.00	11.87	0.00
Benefits Paid	82.17	85.65	(0.41)	0.03	4.18	6.19
Past service costs	0.00	0.00	0.00	0.00	(0.19)	(0.21)
Closing balance - 31 March	(2,424.57)	(2,742.18)	(65.04)	(95.91)	(290.62)	(353.88)

	Injury Pensions (police officers)		Total	
	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m
Opening Balance - 1 April	(55.38)	(55.92)	(2,809.43)	(2,836.15)
Current Service Cost	(1.52)	(1.35)	(63.70)	(54.84)
Interest Cost	(2.34)	(2.37)	(120.06)	(120.34)
Contributions from scheme participants	0.00	0.00	(19.12)	(19.06)
Remeasurement (gains) and losses:				
Actuarial gains and (losses) arising:-				
- from changes in experience	(0.08)	0.33	2.23	17.57
- from changes in demographic assumptions	(0.64)	0.00	(21.64)	0.00
- from changes in financial assumptions	2.27	(6.47)	96.18	(336.59)
Liabilities extinguished on settlements	0.00	0.00	11.87	0.00
Benefits Paid	1.77	1.71	87.71	93.58
Past service costs	0.00	0.00	(0.19)	(0.21)
Closing balance - 31 March	(55.92)	(64.07)	(2,836.15)	(3,256.04)

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 2016 are £11.09m. In addition, Strain on Fund Contributions may be required.

Total expected contributions for the Police Pension Schemes are £66.5m. 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 £1.19m 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 2015.

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	
	2013/14	2014/15	2013/14	2014/15
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	**24.4**	**24.5**	**22.9**	**23.0**
Women	**26.2**	**26.3**	**25.4**	**25.5**
Longevity at 65 for future pensioners				
Men	**26.5**	**26.6**	**25.1**	**25.2**
Women	**28.5**	**28.6**	**27.7**	**27.8**
Financial Assumptions:				
Inflation - RPI	**3.40%**	**3.00%**	**3.30%**	**2.90%**
Inflation - CPI	**2.40%**	**1.90%**	**2.30%**	**1.90%**
Rate of general increase in salaries	**3.90%**	**3.40%**	**3.80%**	**3.30%**
Rate of increase to pensions in payment	**2.40%**	**1.90%**	**2.30%**	**1.80%**
Rate of increase to deferred pensions	**2.40%**	**2.40%**	**2.30%**	**1.80%**
Discount rate	**4.40%**	**3.30%**	**4.30%**	**3.20%**
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)	**-**	**-**	-	**-**
As above, post-01/04/10 service (LGPS only)	**-**	**-**	-	**-**
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%**	**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 2015 and the projected service cost for the year ending 31 March 2016 is set out below:-

Baseline:-

Police Schemes

Present Value of total obligation (excluding injury benefits) @ 31.3.15 = £2838.09M

Projected Service cost 2015/16 = £47.032M

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31.3.15 = £353.38M

Projected Service cost 2015/16 = £13.22M

	LGPS		Police Schemes	
	+ 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)	345.23	361.72	2,788.12	2,890.81
* % change in present value of total obligations	-2.3%	2.4%	-1.8%	1.8%
* Projected service cost (£M)	12.74	13.71	45.34	48.77
* % change in projected service cost	-3.6%	3.7%	-3.6%	3.7%
Rate of general increase in salaries				
* Present value of total obligations (£M)	355.40	351.38	2,847.76	2,828.43
* % change in present value of total obligations	0.6%	-0.6%	0.3%	-0.3%
* Projected service cost (£M)	13.22	13.22	47.14	46.92
* % change in projected service cost	0.0%	0.0%	0.2%	-0.2%
Rate of increase to pensions in payment and deferred pensions				
* Present value of total obligations (£M)	359.60	347.28	2,878.40	2,800.52
* % change in present value of total obligations	1.8%	-1.7%	1.4%	-1.4%
* Projected service cost (£M)	13.71	12.74	48.66	45.45
* % change in projected service cost	3.7%	-3.6%	3.5%	-3.4%
Adjustment to mortality age rating assumption				
	-1 year	**+1 year**	**-1 year**	**+1 year**
* Present value of total obligations (£M)	362.65	344.09	2,903.75	2,772.43
* % change in present value of total obligations	2.6%	-2.6%	2.3%	-2.3%
* Projected service cost (£M)	13.67	12.77	48.16	45.90
* % change in projected service cost	3.4%	-3.4%	2.4%	-2.4%

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:

Quoted at 31 March 2014	Unquoted at 31 March 2014		Quoted at 31 March 2015	Unquoted at 31 March 2015
57.6%	3.2%	Equities	54.9%	2.9%
7.5%	0.0%	Property	1.1%	6.9%
23.5%	0.1%	Government bonds	25.0%	0.4%
1.4%	0.2%	Corporate bonds	1.5%	0.1%
3.8%	0.0%	Cash	3.7%	0.0%
0.2%	2.5%	Other (e.g. Hedge funds, currency holdings)	0.0%	3.5%
94.0%	6.0%	Total	86.2%	13.8%

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 £30.23m to the Police Pension Fund as contributions in respect of existing officers and those retiring due to ill-health in the year (£29.438m in 2013/14). The Local Government Pension Scheme is administered by Hampshire County Council and the Chief Constable made employer's contributions of £11.81m in 2014/15 (£11.65m in 2013/14).

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 CFO to the Chief Constable is now employed by Hampshire County Council but similar arrangements and professional accountabilities apply to the CFO.

The Chief Executive is also the Head of Legal Services for Hampshire County Council. Similar assurances as with the CFO apply.

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 2014/15 (none in 2013/14).

The Commissioner and Chief Constable are party to a number of joint working arrangements, providing a wide range of operational policing and business support services both within Hampshire and throughout the South East Region. Some of the key collaborations are as follows:-

Activity	Partners	Lead/Host
Joint working for support services (H3)	Hampshire County Council (HCC), Hampshire Fire and Rescue Service (HFRS)	HCC
Joint ICT/Information Management Department	Thames Valley Police (TVP)	TVP
South East Regional organised crime unit (SEROCU)	South East (SE) Region Forces (Surrey, Sussex, TVP)	TVP
Protected persons unit (formerly Witness Protection) (part of SEROCU)	SE Region	TVP
Covert policing (part of SEROCU)	SE Region	TVP

Activity	Partners	Lead/Host
Technical support (part of SEROCU)	SE Region	TVP
Joint Operations Unit	TVP	HC
Forensic laboratory	HCC	HCC
Occupational health and welfare	HFRS, HCC	HCC

In all of these, Governance arrangements are in place which means that each party can influence the work and priorities of each activity and will have a role in budget setting and overall strategic direction. Where there is a host organisation, they will have day to day operational responsibility and may recruit key post holders. They may also employ the staff working across the partnership area. Where key decisions are made, however, this is generally by a simple majority and no force, authority or combination of such would have de facto control or joint control of the partnership. All of these partnerships have been reviewed in terms of whether they should be part of the group accounts and it has been concluded that they do not. Consequently, the income and expenditure is reported in the single entity accounts of the Commissioner and Chief Constable as appropriate.

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 2014/15, grants to the trust and payments for services received by the constabulary totalled £42,700. 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.

Remuneration Band	2013/14 Number of employees			2014/15 Number of employees		
	CC	PCC	Group Total	CC	PCC	Group Total
£50,000 - £54,999	165	0	165	182	1	183
£55,000 - £59,999	118	0	118	99	1	100
£60,000 - £64,999	65	0	65	45	0	45
£65,000 - £69,999	21	0	21	17	0	17
£70,000 - £74,999	6	0	6	6	0	6
£75,000 - £79,999	6	0	6	4	1	5
£80,000 - £84,999	8	0	8	5	0	5
£85,000 - £89,999	9	1	10	4	1	5
£90,000 - £94,999	3	0	3	0	0	0
£95,000 - £99,999	1	0	1	2	0	2
£100,000 - £104,999	0	0	0	1	0	1
£105,000 - £109,999	0	0	0	4	0	4
£110,000 - £114,999	1	0	1	0	0	0
£115,000 - £119,999	1	0	1	0	0	0
£120,000 - £124,999	3	0	3	1	0	1
£135,000 - £139,999	1	0	1	0	0	0
£155,000 - £159,999	1	0	1	0	0	0
£165,000 - £169,999	0	0	0	1	0	1
£205,000 - £209,999	0	1	1	0	0	0
Totals	**409**	**2**	**411**	**371**	**4**	**375**

Note that where there are no officers or staff in a particular banding, this is not shown, for reasons of brevity.

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 2014/15 and comparative information for 2013/14 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.

2014/15 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	0	0	85,000	11,135	96,135	
Constabulary										
Chief Constable - A Marsh	162,723	0	469	0	6,064	0	169,256	38,215	207,471	
Deputy Chief Constable (01/04/2014 to 04/12/14)	100,437	0	3,100	0	0	0	103,537	10,367	113,904	
Deputy Chief Constable (03/11/2014 to 31/03/15)	54,960	0	7,246	0	0	0	62,206	12,914	75,120	
Assistant Chief Constable - Crime and Criminal Justice (01/04/2014 to 15/07/2014)	37,679	0	942	0	0	0	38,621	8,693	47,314	
Assistant Chief Constable - Crime and Criminal Justice (16/07/2014 to 31/03/2015)	68,743	0	0	0	2,992	0	71,735	13,814	85,549	
Acting Assistant Chief Constable - Crime and Criminal Justice (05/01/2015 to 31/03/2015)	23,251	0	0	0	68	0	23,319	4,715	28,034	
Assistant Chief Constable - Territorial Operations	117,232	0	0	0	4,567	0	121,799	26,022	147,821	
Assistant Chief Officer - Business and Resources	108,542	0	0	0	0	0	108,542	12,695	121,237	
	758,567	**0**	**11,756**	**0**	**13,691**	**0**	**784,015**	**138,570**	**922,585**	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 £20,900.

Note 2: The Chief Executive for the PCC is being supplied by Hampshire County Council. 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 £72,444 (This figure includes all Employers Oncosts)

Note 3: The Chief Finance Officer for Hampshire Constabulary is now employed by Hampshire County Council as part of the H3 partnership. 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 £93,726 (This figure includes all Employer Oncosts)

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	2
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

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)

Exit Packages in Bands of £20,000 – Group

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	9	11	37	7	46	18	300	140
£40,001 - £60,000	0	0	1	0	1	0	49	0
£100,001 - £150,000	0	0	1	0	1	0	146	0
Additional provision in the Comprehensive Income and Expenditure Statement	22	13	7	6	29	19	149	155
Reversal of previous year's provision (included in bandings in following year when payments due)	(1)	(22)	(2)	(7)	(3)	(29)	(24)	(149)
Totals	**30**	**2**	**44**	**6**	**74**	**8**	**620**	**146**

The Comprehensive Income and Expenditure Statement includes a provision of £0.155m which has been agreed and is payable to 19 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 £7k in 2014/15 (£0.366m in 2013/14).

12 – Termination Benefits

The Chief Constable terminated the contracts of a number of employees in 2014/15, incurring liabilities of £0.146m (£0.620m in 2013/14). 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 2014/15:

2013/14 £'000		2014/15 £'000
	Credited to Taxation and Non-Specific Grant Income	
(96,272)	Council Tax Precept	(100,028)
(67,446)	Share of National Business Rates	(64,305)
(133,621)	Police Grant	(128,570)
(10,390)	Council tax benefit grant	(10,424)
(2,520)	Council tax freeze grant	(2,520)
(215)	Council tax transition grant	0
(1,459)	Community Safety Fund	0
(1,307)	Revenue Support Grant	(1,246)
(3,631)	Government Grant to Finance Capital Expenditure	(3,521)
(316,861)	**Total**	**(310,614)**

	Credited to Services	
2013/14 £'000		**2014/15 £'000**
(3,889)	Dedicated Security Posts grant	(3,343)
(2,233)	ACPO Criminal Records Office	(4,046)
(137)	Restorative Justice/Victims Support grant	(1,242)
0	Disclosure and Barring Service funding	(538)
0	FOI Central Referral Unit	(363)
0	National football policing unit	(54)
0	Prevent grant	(104)
0	NHS Medical in custody grant	(64)
0	Other Home Office Grants	(158)
0	Regional organised crime unit set up funding	(142)
(3)	National Police Air Service project	0
(145)	Innovation Fund	(1,953)
(10)	Local Criminal Justice Board	(29)
(60)	Miscellaneous grants	(969)
(6,477)	**Total**	**(13,005)**

The Community Safety Fund was a grant provided to PCCs for commissioning services to help tackle drugs and crime, reducing re-offending, and improving community safety in their force area. As this is not a ring-fenced grant from the Home Office, this is credited to taxation and non-specific grant income as required by the Accounting Code of Practice. With effect from 14/15, this has been rolled up into the general Police Grant.

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:-

2013/14 PCC £'000	2013/14 CC £'000		2014/15 PCC £'000	2014/15 CC £'000
		Credited to Taxation and Non-Specific Grant Income		
(96,272)	0	Council Tax Precept	(100,028)	0
(67,446)	0	Share of National Business Rates	(64,305)	0
(133,621)	0	Police Grant	(128,570)	0
(10,390)	0	Council tax benefit grant	(10,424)	0
(2,520)	0	Council tax freeze grant	(2,520)	0
(215)	0	Council tax transition grant	0	0
(1,459)	0	Community Safety Fund	0	0
(1,307)	0	Revenue Support Grant	(1,246)	0
(3,631)	0	Government Grant to Finance Capital Expenditure	(3,521)	0
(316,861)	**0**	**Total**	**(310,614)**	**0**
		Credited to Services		
0	(3,889)	Dedicated Security Posts grant	0	(3,343)
0	(2,233)	ACPO Criminal Records Office	0	(4,046)
(137)	0	Restorative Justice/Victims Support grant	(1,242)	0
0	0	Disclosure and Barring Service funding	0	(538)
0	0	FOI Central Referral Unit	0	(363)
0	0	National football policing unit	0	(54)
0	0	Prevent grant	0	(104)
0	0	NHS Medical in custody grant	0	(64)
0	0	Other Home Office Grants	0	(158)
0	0	Regional organised crime unit set up funding	0	(142)
0	(3)	National Police Air Service project	0	0
0	(145)	Innovation Fund	0	(1,953)
0	(10)	Local Criminal Justice Board	0	(29)
0	(60)	Miscellaneous grants	0	(969)
(137)	**(6,340)**	**Total**	**(1,242)**	**(11,763)**

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 - Revenue Grants		
2013/14 £'000		2014/15 £'000
(154)	Local Area Agreement performance reward grant	0
(580)	Restorative Justice/Victims Support Grant	0
(769)	EU grant for ACRO	(428)
0	Home Office grant for ACRO	(300)
0	NHS medical service in custody grant	(58)
(55)	Other miscellaneous grants	(12)
(1,558)		**(798)**

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.

2014/15	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	7,097					(7,097)
Revaluation losses on Property Plant and Equipment						0
Amortisation of intangible fixed assets	0					0
Capital grants and contributions applied	(3,521)					3,521
Revenue expenditure funded from capital under statute	1,608					(1,608)
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	2,110					(2,110)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(1,940)					1,940
Capital expenditure charged against the General Fund						0

2014/15	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	
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	(2,956)		2,956			
Use of the Capital Receipts Reserve to finance new capital expenditure			(4,026)			4,026
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	(1,220)			1,220		
Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure				(1,788)		1,788

2014/15	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	(18)					18
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	167,040					(167,040)
Employer's pensions contributions and direct payments to pensioners payable in the year	(43,750)					43,750
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	(348)					348
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	(714)					714
Total Adjustments	123,388	0	(1,070)	(568)	0	(121,750)

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	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	
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)

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 2014/15.

	Balance	Transfers 2013/14		Balance	Transfers 2014/15		Balance
	31 March 2013	Out	In	31 March 2014	Out	In	31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ACRO Surety	2,250	0	1,844	4,094	0	0	4,094
AVCIS Surety	300	0	0	300	0	0	300
Carry Forward Reserve	11,562	(8,490)	11,354	14,426	(10,989)	8,973	12,410
Commissioning Reserve	0	0	1,976	1,976	(273)	0	1,703
Equipment Reserve	1,000	0	0	1,000	0	0	1,000
Estate Risk Reserve	0	0	0	0	0	2,750	2,750
Insurance Reserve	894	0	0	894	0	0	894
Laboratory Reserve	0	(47)	100	53	0	50	103
Netley Business Plan	128	0	22	150	0	48	198
Performance Reserve	1,700	0	0	1,700	(1,700)	0	0
Revenue Grants Unapplied	230	(55)	53	228	(54)	214	388
Risk Reserve	6,689	0	0	6,689	0	973	7,662
Transformation Reserve	21,037	(4,450)	8,367	24,954	(3,126)	11,857	33,685
Total	45,790	(13,042)	23,716	56,464	(16,142)	24,865	65,187

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 Estate Risk Reserve was established in 2014/15 to provide a source of funding contingency that may be required within the Estate Strategy;
- 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 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.

2013/14 £'000		2014/15 £'000
1,815	**Balance at start of year**	**990**
1,954	Contributions received in year	1,220
(2,231)	Contributions applied to finance capital expenditure	(1,788)
(548)	Contributions returned to revenue	0
990	**Balance at end of year**	**422**

17 – Other operating income/expenditure

2013/14 £'000		2014/15 £'000
1,825	Levies to National Police Services	2,029
(37,042)	Home Office Police Pension Fund Top-up Grant	(40,159)
37,042	Transfer of Home Office Grant to the Police Pension Fund	40,159
(126)	(Gains)/losses on the disposal of non-current assets	(846)
1,699		1,183

18 – Financing and investment income and expenditure

18.1 Financing and investment income and expenditure - Group

2013/14 £'000		2014/15 £'000
1,553	Interest payable and similar charges	1,512
110,840	Pensions interest cost and expected return on pension assets	111,990
(603)	Interest receivable and similar income	(709)
(28)	Other investment income	(18)
111,762		112,775

18.2 Financing and investment income and expenditure - PCC

2013/14 £'000		2014/15 £'000
1,553	Interest payable and similar charges	1,512
(603)	Interest receivable and similar income	(709)
(28)	Other investment income	(18)
922		785

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 and 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 2014/15

	Land and Buildings	Vehicles and Plant	Furniture and Equipment	Assets under construction	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 31 March 2014	**135,830**	**18,427**	**12,032**	**2,714**	**6,765**	**175,768**
Adjustment to opening balance		**(200)**				(200)
Revised value as at 31 March 2014	**135,830**	**18,227**	**12,032**	**2,714**	**6,765**	**175,568**
Additions in year	569	2,578	2,377	4,266	0	9,790
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(8)	0	0	0	907	899
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	(459)	(2,026)	(181)	0	(465)	(3,131)
Derecognition - Other	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	(1,500)	(1,500)
Other movements in cost or valuation	(2,805)	70	0	(191)	5,983	3,057
At 31 March 2015	**133,127**	**18,849**	**14,228**	**6,789**	**11,690**	**184,683**
Accumulated depreciation and Impairment						
At 31 March 2014	**(10,774)**	**(10,311)**	**(4,800)**	**0**	**(71)**	**(25,956)**
Adjustment to opening balance	**0**	**200**				200
Revised value as at 31 March 2014	**(10,774)**	**(10,111)**	**(4,800)**	**0**	**(71)**	**(25,756)**
Depreciation Charge	(2,266)	(2,332)	(2,227)	0	(88)	(6,913)
Depreciation written out on revaluation	96	0	0	0	0	96
Impairment (losses)/ reversals recognised in the Revaluation Reserve	(266)	0	0	0	(513)	(779)
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	(31)	0	0	0	(34)	(65)
Derecognition - Disposals	46	1,609	181	0	0	1,836
Derecognition - Other	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0
Other movements in depreciation and impairment	273	0	0	0	(197)	76
At 31 March 2015	**(12,922)**	**(10,834)**	**(6,846)**	**0**	**(903)**	**(31,505)**
Net Book Value						
At 31 March 2015	**120,205**	**8,015**	**7,382**	**6,789**	**10,787**	**153,178**
At 31 March 2014	**125,056**	**8,116**	**7,232**	**2,714**	**6,694**	**149,812**

Movement on balances 2013/14

	Land and Buildings	Vehicles and Plant	Furniture and Equipment	Assets under construction	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'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)	(77)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	(1,018)	(1,018)
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	(3,586)	0	0	0	465	(3,121)
Other movements in cost or valuation	(2,901)	12	0	(490)	2,901	(478)
At 31 March 2014	**135,830**	**18,427**	**12,032**	**2,714**	**6,765**	**175,768**
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	(2,355)	(2,138)	(2,478)	0	(49)	(7,020)
Depreciation written out on revaluation	0	0	0	0	194	194
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	209	0	0	0	0	209
Other movements in depreciation and impairment	194	0	0	0	(216)	(22)
At 31 March 2014	**(10,774)**	**(10,311)**	**(4,800)**	**0**	**(71)**	**(25,956)**
Net Book Value						
At 31 March 2014	**125,056**	**8,116**	**7,232**	**2,714**	**6,694**	**149,812**
At 31 March 2013	**134,054**	**7,659**	**5,929**	**3,020**	**4,500**	**155,162**

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 2014/15.

Capital commitments

As at 31 March 2015 the Commissioner had committed capital expenditure of £2.5m.

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. A small number of formal revaluations were carried out in 2014/15. .

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.

	Land and buildings	Vehicles and plant	Furniture and equipment	Assets under construction	Surplus assets	Total property, plant and equipment
Valued:	£'000	£'000	£'000	£'000	£'000	£'000
At historical cost	10	8,015	7,382	6,789	0	22,196
At fair value in:						
2009/10	1,894	0	0	0	0	1,894
2010/11	33,062	0	0	0	0	33,062
2011/12	82,661	0	0	0	0	82,661
2012/13	253	0	0	0	0	253
2013/14	0	0	0	0	0	0
2014/15	2,325	0	0	0	10,787	13,112
Total	120,205	8,015	7,382	6,789	10,787	153,178

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	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	**3,857**	**4,669**	**0**	**0**
Assets newly classified as held for sale:				
- Property, Plant and Equipment	3,336	1,442	0	0
Revaluation gains/(losses)	(487)	0	0	0
Assets declassified as held for sale:				
* Property, Plant and Equipment	(461)	(3,178)	0	0
* Intangible Assets	0	0	0	0
* Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(1,576)	(834)	0	0
Balance outstanding at year-end	**4,669**	**2,099**	**0**	**0**

The Commissioner holds three assets which meet the tests of being held for sale as at the Balance Sheet date. 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

2013/14 £'000	Capital financing and expenditure	2014/15 £'000
48,140	*Opening Capital Financing Requirement*	46,288
	Capital	
6,893	Operational assets	5,524
589	Non-operational assets	4,266
210	Revenue Expenditure funded from capital under statute	1,608
	Sources of finance	
(1,830)	Capital receipts	(4,048)
(3,631)	Government grants and contributions	(3,521)
(2,231)	Use of reserves (RCCO)	(1,788)
(1,852)	Sums from revenue (MRP)	(1,940)
46,288	*Closing Capital Financing Requirement*	**46,389**
	Explanation of movements in year	
(1,852)	Increase/(Decrease) in underlying need to borrow	101
(1,852)	*Increase/(decrease) in Capital Financing*	**101**

£11.4m 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 2014/15 relates to the continuing expenditure on the programme to rationalise operational property across the force area, to provide neighbourhood offices for safer neighbourhood teams for the relocation of the operational headquarters for the Constabulary and to purchase and prepare sites for Police Investigation Centres.

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 2014/15 (£0m in 2013/14).

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 2014 £'000		31 March 2015 £'000
3,259	Other Land and Buildings	3,220
0	Vehicles, Plant, Furniture and Equipment	0
3,259	**Total**	3,220

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 2014 £'000		31 March 2015 £'000
1,233	Not later than one year	896
2,664	Later than one year and not later than five years	1,001
568	Later than five years	491
4,465	**Total**	2,388

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 2014 £'000		31 March 2015 £'000
1,204	Minimum lease payments	878
1,204	**Total**	878

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 2014). 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". Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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.

Available for sale financial assets – i.e. those that are quoted in an active market – comprise of the following:-

- money market funds and collective investment schemes;
- certificates of deposit and covered bonds issued by banks and building societies;
- bonds issued by UK companies.

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

Financial Assets	Long - term		Short-term	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Investments				
Loans and receivables				
- principal at amortised cost	3,350	10,350	37,000	24,000
- accrued interest			0	156
Available for sale investments				
- principal at amortised cost	0	1,020	0	27,414
- accrued interest				62
Total investments	**3,350**	**11,370**	**37,000**	**51,632**
Debtors				
Financial assets carried at contract amount	643	653	30,783	9,402
Total debtors	**643**	**653**	**30,783**	**9,402**
Financial Liabilities	**Long - term**		**Current**	
	31 March 2014 £'000	**31 March 2015 £'000**	**31 March 2014 £'000**	**31 March 2015 £'000**
Borrowings at amortised cost				
- PWLB principal sum borrowed	35,950	34,236	1,215	1,714
- accrued interest			0	216
Total Borrowing	**35,950**	**34,236**	**1,215**	**1,930**
Creditors				
Financial liabilities carried at contract amount	0	0	29,724	10,073
Total creditors	**0**	**0**	**29,724**	**10,073**

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 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.

Note also that accrued interest payable and receivable was included in the debtor and creditor balances in the comparator year. As these are not material amounts, the above table has not been restated. If the figures had been restated then accrued interest on financial assets would have been £0.169m and on financial liabilities, accrued interest would have been £0.221m.

25.2 Income, Expense, Gains and Losses

	2014/15					2013/14
	Financial Liabilities		Financial Assets			
	Amortised cost	Fair Value through Profit & Loss	Loans and receiv - ables	Available for sale assets	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(1,476)				**(1,476)**	**(1,505)**
Interest payable and similar charges	**(1,476)**	**0**	**0**	**0**	**(1,476)**	**(1,505)**
Interest income			485	193	**678**	**603**
Dividend income				31	**31**	0
Interest and investment income	**0**	**0**	**485**	**224**	**709**	**603**
Gains on revaluation				20	**20**	**0**
Impact of revaluation in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**20**	**20**	**0**
Net gain / (loss) for the year	**(1,476)**	**0**	**485**	**244**	**(747)**	**(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 net 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, the 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 2014			31 March 2015	
Carrying amount £'000	Fair value £'000		Carrying amount £'000	Fair value £'000
66,889	71,767	Financial liabilities	46,239	57,386
0	0	Long-term creditors	0	0

31 March 2014 Carrying amount £'000	31 March 2014 Fair value £'000		31 March 2015 Carrying amount £'000	31 March 2015 Fair value £'000
71,133	71,133	Loans and receivables	72,404	72,404
643	643	Long-term debtors	653	653

Liabilities

The fair value of the long-term liabilities is higher than the carrying amount because the Commissioner's portfolio of loans includes a number of 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 largely of housing assistance loans and the carrying value of long-term debtors is fair value.

Housing assistance loans, totalling £0.92m, 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%) transactions of this nature were 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.

The fair value of housing assistance loans is £0.63m (£0.64m at 31 March 2014). This is now the same as the carrying value.

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 2014 £'000		31 March 2015 £'000
30,783	Receivable financial instruments	9,402

No trade debtors were impaired during the year (£Nil in 2013/14) for debt (or proportions thereof) deemed uncollectable.

25.5 Loans and receivables – long-term

In accordance with the Annual Investment Strategy, £10.350m 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 13.11.17, 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 £10.472m. 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 2014 £'000		31 March 2015 £'000
29,724	Payable financial instruments	10,073

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

The Commissioner's borrowing strategy for 2014/15 was set in March 2014. The strategy for borrowing was to continue to strike an appropriate low risk balance between securing low interest costs and achieving cost certainty over the period for which funds may be required. In this respect the OPCC would consider pre-borrowing to fund future years' requirements. It was recognised that internal borrowing would be a more cost effective way of financing as short-term interest rates remained lower than long-term rates, despite the interest foregone from not investing any balances.

No new long-term borrowing was taken out in 2014/15 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.

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 2014 £'000	Outstanding loans 31 March 2015 £'000
Less than 5 years	2.97%	6,214	5,500
Between 5 and 10 years	4.00%	1,600	1,450
Between 10 and 15 years	0.00%	350	0
Between 15 and 20 years	4.24%	12,000	18,000
Between 20 and 25 years	4.32%	17,000	11,000
		37,164	**35,950**

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 £35.95m was taken out between 2008/09 and 2011/12 (£34m). The PWLB loans had a fair value – based on the repayment rate - of £47.1m at 31 March 2015 (£42.0m at 31 March 2014). The fair value based on the new loan rate was £42.0m at 31 March 2015 (£37.7m at 31 March 2014).

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 his 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 upon which the Commissioner has received independent investment advice. 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 £12m 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 one year.

The OPCC's maximum exposure to credit risk in relation to its investments in banks and building societies of £68.21m 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 that assets may not be recoverable applies to all of the OPCC's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise. The Commissioner has no historical experience of counterparty default.

The credit quality of £8.08m of the Commissioner's investments is enhanced by collateral held in the form of covered bonds collateralised by UK residential mortgages. The collateral significantly reduces the likelihood of the commissioner suffering a credit loss on these investments.

The table below summarises the credit risk exposures of the Commissioner's investment portfolio at 31 March 2015 by type of investment counterparty:

Credit Rating	Long-term		Short-term	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£'000	£'000	£'000	£'000
AAA	0	0	0	0
AA+	0	0	0	8,080
AA	0	0	2,260	0
AA-	0	0	7,007	4,003
A+	0	0	0	8,046
A	0	0	19,146	22,923
A-	0	0	6,021	8,531
AAA Money market funds	0	0	21,374	19,458
Unrated local authorities	3,366	10,401	10,784	2,000
Unrated pooled funds	0	0	0	1,020
Total Investments	**3,366**	**10,401**	**66,592**	**74,061**

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 principal sums borrowed as at 31 March 2014 is as follows:

Outstanding debt - maturity periods	31 March 2014	% of total debt portfolio	31 March 2015	% of total debt portfolio
	£'000	%	£'000	%
Less than 5 years	6,435	17	5,500	15
Between 5 and 10 years	1,600	4	1,450	4
Between 10 and 15 years	350	1	0	0
Between 15 and 20 years	12,000	32	18,000	50
Between 20 and 25 years	17,000	45	11,000	31
Total	**37,385**	**100**	**35,950**	**100**

31 March 2014 £'000	Loans and other long term liabilities outstanding (nominal value):	31 March 2015 £'000
37,164	Public Works Loan Board	35,950
221	Temporary borrowing	216
37,385	**Total**	36,166

Note that the loans and other long-term liabilities include accrued interest of £0.216m and that part of the long-term borrowing which is due to be repaid in the 12 months after the Balance Sheet date (£1.714m); 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 2015 all £35.95m 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 (£74.1m at 31 March 2015) 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	(741)
Impact on (Surplus) or Deficit on the Provision of Services	(741)
Decrease in fair value of available for sale financial assets	103
Impact on Comprehensive Income and Expenditure	103

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

Price Risk. The market prices of the Commissioner's fixed rate bond investments are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The commissioner's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Commissioner's investment strategy. A fall in commercial property prices would result in a charge to the Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investment was sold..

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 2015, 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

2013/14 £'000	Consumable Stores	2014/15 £'000
970	**Balance outstanding at start of year**	**943**
3,181	Purchases	3,541
(3,201)	Recognised as an expense in the year	(2,974)
(7)	Written off balances	(2)
0	Reversal of write-offs in previous years	0
943	**Balance outstanding at year-end**	**1,508**

27 – Short-term debtors

31 March 2014 £'000		31 March 2015 £'000
14,973	Central government bodies	17,293
22,788	Other local authorities	19,322
2	NHS Bodies	7
3	Public corporations and trading funds	0
1,845	Other entities and individuals	5,195
39,611	**Total**	**41,817**

28 – Cash and cash equivalents

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

31 March 2014 £'000		31 March 2015 £'000
34	Cash held by the Authority	45
2,485	Bank current accounts	1,659
0	Bank overdrawn	(4,581)
29,460	Call accounts (same day access funds)	21,461
31,979	**Total Cash and Cash Equivalents**	**18,584**

29 – Short-term creditors

29.1 – Short-term creditors - Group

31 March 2014 £'000		31 March 2015 £'000
8,063	Central government bodies	7,043
25,637	Other local authorities	24,222
126	NHS Bodies	23
23	Public corporations and trading funds	693
12,333	Other entities and individuals	17,843
46,182	**Total**	**49,824**

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 2014 £'000		31 March 2015 £'000
8,063	Central government bodies	2,423
25,637	Other local authorities	26,713
126	NHS Bodies	3,257
23	Public corporations and trading funds	2,608
7,826	Other entities and individuals	11,030
41,675	**Total**	**46,031**

29.3 – Short-term creditors - CC

31 March 2014 £'000		31 March 2015 £'000
4,507	Other entities and individuals	3,793
4,507	**Total**	**3,793**

30 – Provisions – Current Liabilities

	Redundancy and pension strain £'000	Other Provisions £'000	Total £'000
Balance at 31 March 2014	**(351)**	**0**	**(351)**
Additional provisions made in 2014/15	(160)	0	(160)
Amounts used in 2014/15	205	0	205
Unused amounts reversed in 2014/15	147	0	147
Balance at 31 March 2015	**(159)**	**0**	**(159)**

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.

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 2014). No bad debts and impairments were written off or otherwise accounted for during the year (£Nil in 2013/14).

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 2014 £'000		31 March 2015 £'000
103,042	Capital Adjustment Account	103,644
5,810	Revaluation Reserve	5,884
(18)	Financial Instruments Adjustment Account	0
2,440	Collection Fund Adjustment Account	2,788
0	Available for Sale Financial Instruments Reserve	20
(4,507)	Accumulated Absences Account	(3,793)
(2,651,217)	Pensions Reserve	(3,034,478)
(2,544,450)		**(2,925,935)**

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 2014 £'000		31 March 2015 £'000
103,042	Capital Adjustment Account	103,644
5,810	Revaluation Reserve	5,884
(18)	Financial Instruments Adjustment Account	0
2,440	Collection Fund Adjustment Account	2,788
0	Available for Sale Financial Instruments Reserve	20
111,274		**112,336**

32.3 Unusable Reserves –CC

31 March 2014 £'000		31 March 2015 £'000
(4,507)	Accumulated Absences Account	(3,793)
(2,651,217)	Pensions Reserve	(3,034,478)
(2,655,724)		**(3,038,271)**

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.

2013/14 £'000		2014/15 £'000	2014/15 £'000
105,810	**Balance at 1 April**		103,042
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(9,730)	• Charges for depreciation and impairment of non-current assets	(7,097)	
(61)	• Revaluation losses on Property, Plant and Equipment	0	
(210)	• Revenue expenditure funded from capital under statute	(1,608)	
(2,651)	• 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	(2,111)	
(12,652)	**Sub-Total**		**(10,816)**
402	Adjusting amounts written out of the Revaluation Reserve		143
(12,250)	Net written out amount of the cost of non-current assets consumed in the year		**(10,673)**
	Capital financing applied in the year:		
1,830	• Use of the Capital Receipts Reserve to finance new capital expenditure	4,048	
2,231	• Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure	1,788	
3,631	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,521	
1,151	• Statutory provision for the financing of capital investment charged against the General Fund balance	1,239	
701	• Voluntary provision for the financing of capital investment charged against the General Fund balance	701	
9,544	**Sub-Total**		**11,297**
(62)	Write-down of capital debtors		**(22)**
103,042	**Balance at 31 March**		**103,644**

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.

2013/14 £'000		2014/15 £'000
5,791	**Balance at start of year**	**5,810**
538	Revaluations during year	995
(117)	Impairments of previously revalued assets	(779)
(291)	Disposal of revalued assets	0
(111)	Depreciation of revaluations	(142)
5,810	**Balance at end of year**	**5,884**

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.

2013/14 £'000		2014/15 £'000
(46)	**Balance at start of year**	**(18)**
28	Effective interest credited to Comprehensive Income and Expenditure Statement	18
(18)	**Balance at end of year**	**0**

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.

2013/14 £'000		2014/15 £'000
1,187	**Balance at start of year**	**2,440**
1,253	Collection Fund net debtor/(creditor) at 31 March - monies owed by/(to) billing authorities	348
2,440	**Balance at end of year**	**2,788**

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.

2013/14 £'000		2014/15 £'000	2014/15 £'000
(4,856)	**Balance at start of year**		**(4,507)**
4,856	Settlement or cancellation of accrual made at the end of the preceding year	4,507	
(4,507)	Amounts accrued at the end of the current year	(3,793)	
349	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		714
(4,507)	**Balance at end of year**		**(3,793)**

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 2014/15, this was a decrease of £0.714m (A decrease of £0.349m in 2013/14).

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.

2013/14 £'000		2014/15 £'000
(2,617,967)	**Balance at start of year**	**(2,651,217)**
93,662	Actuarial gains/(losses) on pensions assets and liabilities	(259,970)
(169,770)	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	(167,040)
42,858	Employer's pension contributions and direct payments to pensioners payable in the year	43,750
(2,651,217)	**Balance at end of year**	**(3,034,477)**

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:-

2013/14 £'000		2014/15 £'000
	Police and Crime Commissioner:	
(3.8)	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	(14.0)
55.0	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	55.0
0.0	Fees payable to the Audit Commission in respect of the National Fraud Initiative	0.0
	Chief Constable:	
0.0	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	(6.0)
25.0	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	25.0
76.2		**60.0**

The credit of £20,000 (£3,800 in 13/14) 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

During 2014/15, developments in employment law took place which may have a financial impact upon the Commissioner. These concern legal challenges in respect of payments for overtime and allowances. In particular, there was an Employment Appeal Tribunal (EAT) ruling on the treatment of regular overtime in payments for holiday pay purposes. At the date of publication of these unaudited accounts there was insufficient information to estimate any amounts that may be due to be paid and there are further uncertainties regarding the timing of such payments. Consequently, this is shown as a contingent liability rather than as a provision in these accounts.

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 2014/15.

35 – Contingent assets

Further to the implementation of the Estates Change Programme, a number of sites have been earmarked for disposal. At the Balance Sheet date, a number of these, including police headquarters in Winchester and Alpha Park in Chandler's Ford, have been conditionally sold – i.e. subject to contract - and deposits have been received. As these sales have yet to be completed, the income from deposits is not recognised as an asset as there is no contractual right to retain these sums until either the sale is completed or the prospective purchaser defaults on the contractual obligations. A contingent asset is recognised for these prospective sales and any deposits are recognised as receipts in advance.

36 – Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 14 September 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There was one material event after the Balance Sheet date which needs to be reflected in these accounting statements: namely, the agreement by the Home Office to accept the outcome of the Milne v Government Actuary's Department (GAD) court case and its applicability in respect of historical police pension payments. The Police Pension Scheme Commutation Factors are reviewed annually by GAD. The factors (the amount that can be commuted for each £1 sacrificed) were not reviewed between 1998 and 2006.   This was challenged by a member of the Firefighters' Scheme and the Pensions' Ombudsman has ruled in favour of the complainant. This ruling has relevance to the Police Pension Scheme 1997 and, consequently, there is a liability to pay higher commutation lump sums for members who retired in this period, together with interest owed.   Using updated guidance and commutation factors provided by GAD it is estimated that £10.5m of additional payments (including interest) will be paid in 2015/16 to former police officers (or their estate in the case of those who have subsequently deceased). In accordance with the Accounting Code of Practice and by reference to the appropriate accounting standards this event is deemed to be a plan amendment in terms of the police pension scheme, which takes place in 2015/16. As such this is reported as a non-adjusting event in that it is indicative of conditions that arose after the Balance Sheet date which therefore does not require amendments to the financial statements and notes in the Statement of Accounts.

It should be noted that the payments which will be made in respect of this ruling will be charged to the Police Pension Fund in the first instance and the Home Office will fully fund these payments through the top-up grant funding mechanism.

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 2014/15 - Group

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

2013/14 £'000		2014/15 £'000
(142,484)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(132,910)
	Analysis:-	
(126,912)	- Pensions	(123,290)
(9,731)	- Depreciation and impairment charged to CIES	(6,978)
0	- Revaluation adjustments	0
9,380	- Increase/(Decrease) in Debtors	2,206
(12,197)	- (Increase)/Decrease in Creditors	(3,377)
(27)	- Increase/(Decrease) in Inventories	565
(286)	- (Increase)/Decrease in Provisions	192
(2,651)	- Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(2,110)
(60)	- Other non-cash items charged to the net surplus or deficit on the provision of services	(118)
(142,484)		(132,910)

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

2013/14 £'000		2014/15 £'000
5,512	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,674
	Analysis:-	
2,838	- Proceeds from the sale of PP&E, investment property and intangible assets	2,956
3,631	- Capital grant (included within investing activities)	3,521
(957)	- Any other items for which the cash effects are investing or financing cash flows	(803)
5,512		5,674

38.3 Investing activities

2013/14 £'000		2014/15 £'000
7,482	Purchase of property, plant and equipment, investment property and intangible assets	9,790
380,490	Purchase of short-term and long-term investments	469,379
0	Other payments for investing activities	0
(2,838)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,956)
(390,390)	Proceeds from short-term and long-term investments	(446,727)
(3,677)	Other receipts from investing activities	(3,533)
(8,933)	**Net cash outflow/(inflow) from investing**	**25,953**

38.4 Financing activities

2013/14 £'000		2014/15 £'000
0	Cash receipts of short- and long-term borrowing	0
(596)	Other receipts from financing activities - interest received	(709)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
1,426	Repayment of short- and long-term borrowing	1,925
1,553	Other payments for financing activities - interest paid	1,512
2,383	**Net cash outflow/(inflow) from financing**	**2,728**

38.5 Cash and cash equivalents

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

2013/14 £'000		2014/15 £'000
34	Cash held	45
2,485	Bank current accounts	1,659
0	Bank overdraft	(4,581)
29,460	Surplus cash deposited with approved counterparties (on immediate call)	21,461
31,979	**Total Cash and Cash Equivalents**	**18,584**

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

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

2013/14 £'000		2014/15 £'000
(15,921)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(10,334)
	Analysis:-	
0	- Pensions	0
(9,731)	- Depreciation and impairment charged to CIES	(6,978)
0	- Revaluation adjustments	0
9,380	- Increase/(Decrease) in Debtors	2,206
(12,546)	- (Increase)/Decrease in Creditors	(4,091)
(27)	- Increase/(Decrease) in Inventories	565
(286)	- (Increase)/Decrease in Provisions	192
(2,651)	- Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(2,110)
(60)	- Other non-cash items charged to the net surplus or deficit on the provision of services	(118)
(15,921)		(10,334)

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
5,512	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,674
	Analysis:-	
2,838	- Proceeds from the sale of PP&E, investment property and intangible assets	2,956
3,631	- Capital grant (included within investing activities)	3,521
(957)	- Any other items for which the cash effects are investing or financing cash flows	(803)
5,512		5,674

39.3 Investing activities - PCC

2013/14 £'000		2014/15 £'000
7,482	Purchase of property, plant and equipment, investment property and intangible assets	9,790
380,490	Purchase of short-term and long-term investments	469,379
0	Other payments for investing activities	0
(2,838)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,956)
(390,390)	Proceeds from short-term and long-term investments	(446,727)
(3,677)	Other receipts from investing activities	(3,533)
(8,933)	**Net cash outflow/(inflow) from investing**	**25,953**

39.4 Financing activities - PCC

2013/14 £'000		2014/15 £'000
0	Cash receipts of short- and long-term borrowing	0
(596)	Other receipts from financing activities - interest received	(709)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
1,426	Repayment of short- and long-term borrowing	1,925
1,553	Other payments for financing activities - interest paid	1,512
2,383	**Net cash outflow/(inflow) from financing**	**2,728**

39.5 Cash and cash equivalents - PCC

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

2013/14 £'000		2014/15 £'000
34	Cash held	45
2,485	Bank current accounts	1,659
0	Bank overdraft	(4,581)
29,460	Surplus cash deposited with approved counterparties (on immediate call)	21,461
31,979	**Total Cash and Cash Equivalents**	**18,584**

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

2013/14 £'000		2014/15 £'000
126,563	Net (surplus) or deficit on the provision of services	122,576
(126,563)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(122,576)
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

2013/14 £'000		2014/15 £'000
(126,563)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(122,576)
	Analysis:-	
(126,912)	- Pensions	(123,290)
349	- (Increase)/Decrease in Creditors	714
(126,563)		(122,576)

2013/14	Police Pension Fund Account	2014/15
£'000	**Contributions receivable**	**£'000**
	- from employer	
(28,222)	- normal	(26,754)
0	- early retirements	0
(1,222)	- ill-health capital equivalent charges	(3,482)
(15,283)	- from members	(15,308)
	Transfers in	
(753)	- individual transfers in from other schemes	(270)
	Benefits payable	
65,001	- pensions	68,338
15,884	- commutations and lump sum retirement benefits	16,159
346	- lump sum death benefits	79
	Payments to and on account of leavers	
6	- refunds of contributions	9
1,285	- individual transfers out to other schemes	1,386
37,042	**Net amount payable for the year**	**40,159**
(37,042)	**Additional contribution from the Commissioner**	(40,159)
0		0

2013/14	Net Assets Statement	2014/15
£'000		**£'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 on-going costs and commuted lump sums in respect of officers who are awarded injury pensions, which totalled £1.7m in 2014/15. 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 on-going 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 on-going 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 between 14.25%-15.05% of salary. Officers joining the scheme after this date pay between 11% and 12.75% 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 2014/15. 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 shows further detail 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 his 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).