

**Chief Constable for Hampshire**

**Statement of Accounts 2015/16**

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### Introduction

The Statement of Accounts sets out the overall financial position of the Chief Constable of Hampshire Constabulary for the year ending 31 March 2016. 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 2015/16. This narrative provides a brief explanation and overview of the financial performance and activities during 2015/16.

### The Chief Constable

The Chief Constable is charged with maintaining the Queen's Peace and directs and controls the Force's officers and staff. She is accountable to the Police and Crime Commissioner for Hampshire and must have regard to the Police and Crime Plan.

The core functions of the Commissioner (the 'PCC') 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.

The Chief Constable has established a joint audit committee with the Commissioner. 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.

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The Police and Crime Plan, published in March 2013, sets out the Commissioner's vision and priorities for policing and community safety across Hampshire and the Isle of Wight and is available in summary of full version on his website at [www.hampshire-pcc.gov.uk](http://www.hampshire-pcc.gov.uk). The vision of the Commissioner is to make Hampshire and the Isle of Wight even safer by improving community safety, cutting crime and reducing re-offending and his priorities are to:-

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

In policing terms Hampshire Constabulary is the second largest non-metropolitan force in England and Wales. The combined population of Hampshire and the Isle of Wight is approximately 1.9m. Further information on achievements and development, including the mission, vision and values, can also be found on the Commissioner's website and on the Chief Constable's website at [www.hampshire.police.uk](http://www.hampshire.police.uk)

## Statement of Accounts

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

The Home Office has produced a Financial Management Code of Practice (FMCP) which sets out the responsibilities of the respective Chief Finance Officers. This came into effect on 16 January 2012 and is available on the following link: [Financial Management Code of Practice](#)

The Police Reform and Social Responsibility Act 2011 outlined a two-staged approach to the establishment of the office 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 will transfer from the Commissioner was agreed by the Home Secretary and was formally made on 1 May 2014. This had the effect in 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 Chief Constable's Statement of Accounts for 2015/16 consists of the following:

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- Statement of Responsibilities for the Statement of Accounts – Page 14
- Independent Auditor’s Report – Page 15
- Annual Governance Statement – Page 18
- Movement in Reserves Statement – Page 25
- Comprehensive Income and Expenditure Statement – Page 27
- Balance Sheet - Page 28
- Cash Flow Statement – Page 29
- Notes to the Accounts – Page 30
- Police Pension Fund Account – Page 76

### 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 Chief Constable, analysed into ‘usable’ reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable’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.

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### b) Relevance

The accounts provide information about the Chief Constable'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 element of the best value accounting framework).

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

## Review of the year

### Financial Overview (including economic climate)

In February 2015, the Commissioner approved funding for a net revenue budget for 2015/16 for the Group of £301.3m. A 5.1% cash cut in central government grant funding was partially offset by a 1.99% precept increase.

### Pensions

The net pension liability has reduced by £263m from £3,035m at 31 March 2015 to £2,772m at 31 March 2016. The Commissioner's assessed share of the value of the plan assets of the Local Government Superannuation scheme showed an increase of £13m while the assessed present value of the Commissioner's liabilities on all pension schemes decreased by £250m.

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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 2016 the general reserve stood at £17.513m before any additional transfers to earmarked reserves are approved by the Commissioner. This general reserve balance represents a decrease of £1.2m when compared to 31 March 2015. Whilst this represents a relatively modest reduction, contributions to other earmarked reserves were made during the year, including £5m to set up the Grant Equalisation Reserve, £2m to the Performance Reserve and a carry forward from 2014/15 of £2.8m in respect of Estates related revenue expenditure.

The medium-term financial strategy approved by the Commissioner as part of the 2016/17 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, £10.044m belongs to the ACPO Criminal Records Office and associated activities, partly as a surety (£4.440m) but mainly to support its on-going activity (£5.604m) and £2.367m is in respect of income from driver training which is earmarked for a camera digitalisation programme.

### 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

In the 2014/15 statement of accounts there was an event which was reported as being after the reporting period but which was declared to be a non-adjusting event, which meant that the impact of the event was not included in the figures for 2014/15 or earlier. This was the settlement of the Milne v GAD court case in relation to the payment of police officer pensions and commuted pension lump sums by reference to updated commutation factors (i.e. by which lump sums are calculated). Financial settlement was made in late 2015 and was in the order of £11m. The costs were borne by the Home Office and both the costs and income (by way of additional top-up grant) are recorded in the pension fund account which follows. The CIES note recognises this payment as a past service cost.

### 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

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had been earned but not taken at 31 March each year. The amount accrued at 31 March 2016 was £4.070m (£3.793m as at 31 March 2015).

### Events after the Reporting Period

A referendum to establish if the United Kingdom would remain part of the European Union (EU) took place on the 23<sup>rd</sup> June 2016. The outcome of the referendum was a decision to leave the EU (Brexit), and this has in the short term increased political and economic uncertainty.

This decision has the potential to impact the Constabulary's finances and the estimates and assumptions which impact on the accounts. However, It is too early to predict the impact on the financial statements, as the long term effects are still uncertain, and there is likely to be significant ongoing uncertainty for some time. The Chief Constable will continue to review the impact in the coming months, including announcements in the Chancellor's Autumn Statement.

For the purposes of these financial statements, the Referendum outcome is considered a non adjusting event.

### 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 Officer 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.

The Constabulary entered into a joint working arrangement in 2014/15 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.

### Performance

The financial performance of the group over the year is set out in this narrative statement and more detail is shown in the accounts which follow. Key risks to the Commissioner and



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the Chief Constable (in separate statements available on her website at [finance and governance](#)).

During 2015/16 Her Majesty's Inspector of Constabularies (HMIC) undertook their second Police Efficiency Effectiveness and Legitimacy (PEEL) assessment of the extent to which Hampshire Constabulary keeps people safe and reduces crime. The full report can be read via the following link - [PEEL Assessment 2015](#) – and the outcome was that the HMIC graded the Constabulary 'good' in all three areas and made the following observations:-

- “The constabulary works well with local partner organisations to prevent crime and anti-social behaviour; it has dedicated resources to enable it to work within neighbourhoods to tackle issues of concern to communities. On the whole the constabulary investigates crime well and generally supports vulnerable people well but there is room for improvement in the way the force deals with some vulnerable victims of crime. It has improved its approach to tackling serious and organised crime; and also works very well with partners to identify and manage the most serious repeat offenders to prevent re-offending and protect the public”;
- “Hampshire Constabulary is very well prepared to face its future financial challenges. The constabulary has a strong track record of making savings, robust financial management and well-developed plans to achieve further savings. It has introduced a new workforce model to manage within a reducing budget”;
- “The constabulary has a well-established set of values that promote ethical behaviour that have been personally championed by the chief constable. Staff understand these values and the importance of dealing with the public in a fair and polite way. Hampshire Constabulary is effective in engaging and communicating with its communities. The constabulary complies with the Best Use of Stop and Search scheme and Taser is used fairly and appropriately by the constabulary.”

Whilst overall the grading was 'good' under the 'efficiency' heading, the HMIC graded the Constabulary as outstanding in relation to the question 'How sustainable is the force's financial position for the short and long term?' It commented that:-

- “The constabulary has a strong record of making savings having successfully achieved £53m of cost reductions between 2011 and 2015;
- It has balanced its budget for 2014/15 and 2015/16, including making further considerable savings. Hampshire has detailed plans in place which provide confidence that all but a very small amount of the £25m savings required by 2016/17 will be achieved;
- It maximises other funding opportunities including a recent successful large joint bid with Thames Valley police to the Police Innovation Fund and an innovative collaboration with the University of Portsmouth to manage forensic examination of digital devices and the compilation of digital evidence;
- The constabulary maintains robust control of expenditure with a comprehensive understanding of where and how the budget is spent;
- Hampshire's plans reflect the priorities set by the PCC who works with the constabulary to identify future savings such as a reduction in the police estate. There is a strong joint understanding of the current and future financial plans with the office of the police and crime commissioner (OPCC);

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- Plans to deliver further savings from greater collaboration and through its estate plans are well advanced and credible. Hampshire has a comfortable level of reserves to augment its savings plans if required and smooth any further workforce reductions that may be required”.

The HMIC also conducted a review of leadership in the year and how well led forces are at every rank and grade of the organisation and across all areas inspected in PEEL. They reviewed how well a force understands and is developing its leaders; whether it has set a clear and compelling future direction; and how well it motivates and engages the workforce. The outcome was a narrative (i.e. rather than a grading) and a conclusion that “Hampshire Constabulary demonstrates strong and effective leadership at all levels of its workforce and has communicated a clearly-defined set of leadership principles which the workforce knows well. The Leadership Programme is evidence of how the constabulary develops its leaders to demonstrate the progressive, inclusive and responsive style of leadership necessary while the constabulary radically changes its organisational structure and operating model. HMIC found in Hampshire Constabulary a strong sense of purpose, clear future plans and priorities and a workforce that chief officers both care for and about”.

In addition to external inspection, and at the request of the Police and Crime Panel, the outgoing Commissioner produced an ‘end of term report’ to reflect on the achievements of his office during the time of his tenure from 2012 to 2016. This is available at the following link: [End of Term Report](#).

This report covers progress against the priorities in the police and crime plan. Of specific interest in regards to the use of resources are the following observations:-

- Over £10 million of efficiencies delivered
  - H3 partnership - a ground breaking amalgamation of core corporate services between Hampshire Constabulary, Hampshire County Council and Hampshire Fire and Rescue Service. My office is also a customer of this service. It includes procurement, finance and payroll, human resources, occupational health and wellbeing, learning and development, and facilities management. Although the total savings made are currently being calculated, it is anticipated the final savings will be over £600,000 per year.
- Collaboration with partners to deliver a range of policing functions, most notably:
  - Joint Operations Unit (which includes dog support, firearms, roads policing, and strategic operations for contingency and emergency planning), ICT and Information Management with Thames Valley Police, saving Hampshire Constabulary a total of almost £9 million a year;
  - Entering a National Police Air Support Service, saving £485,000 a year;
  - Sharing scientific services with Hampshire County Council, saving £167,000 a year.
- Modernised the force structure
  - with over £80 million being cut from the police budget since 2010, the outgoing Commissioner supported Hampshire Constabulary in delivering a comprehensive Operational Change Programme, designed to increase effectiveness, release financial savings, reduce demand for police services, increase shared services with other forces and public services, embrace opportunities for technological development, and ensure flexibility to respond to civil emergencies and major

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events. This programme was fully implemented by April 2016 and resulted in the delivery of the following:

- Introduction of a Resolution Centre to manage non-emergency incidents through telephone resolution, in order to reduce demand on the rest of the force;
- Implementation of new neighbourhood boundaries and teams aligned with council wards;
- Implementation of omni-competent investigation teams
- Implementation of new Response and Patrol teams and a borderless deployment process
- A commitment to having a police presence in our neighbourhoods by protecting Police Community Support Officer (PCSO) numbers and future recruitment of 198 new police constables into the force.

### 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 property, plant and equipment assets, and other adjustments.

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

As the accounts are prepared in accordance with the requirement of IAS 19 the cost of retirement benefits are recognised within the Comprehensive Income and Expenditure Statement and the liability relating to pensions schemes is included within the long term liabilities on the Balance Sheet. These liabilities totalled £2,772m at 31 March 2016 which has resulted in an overall negative balance of £2,842m in the group accounts. However finance is only required for the police pensions when the amounts are actually paid.

### Revenue Expenditure

In 2015/16, the reported outturn position for the group as a whole, subject to audit, was net expenditure of £296.7m on policing services for the people of Hampshire and the Isle of Wight, for the costs of the Office of the Police and Crime Commissioner and for commissioning services in accordance with the Police and Crime Plan objectives .

### Summary Income and Expenditure

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The subjective analysis table below shows that there was a deficit of £118.84m on the provision of services for 2015/16 in the statutory financial statements for the group as a whole (£111.95m deficit in 2014/15). 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 2015/16 are in respect of the depreciation 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 Chief Constable 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 £2.738m. 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 £2.7m at 31 March 2016.

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### Subjective Analysis Table

	Revenue Budget 2015/16 Subjective Analysis			Income and Expenditure Account Analysis	
	Constabulary	PCC	Total	Reconciling items to the Financial Accounts	Total
	£000	£000	£000	£000	£000
<b>Expenditure:</b>					
Employees	232,061	2,947	235,008	32,829	267,837
Premises	0	10,507	10,507	5,323	15,830
Transport	5,988	82	6,070	442	6,512
Supplies and services	16,207	6,594	22,801	949	23,750
Third Party Payments	59,597	474	60,071	1,066	61,137
Capital financing (net)	3,122	0	3,122	(3,122)	0
Depreciation, amortisation and impairment	0	0	0	13,087	13,087
Pensions interest cost and expected return on pensions assets	0	0	0	95,700	95,700
Interest payments	0	0	0	1,458	1,458
Precepts and levies	0	0	0	2,806	2,806
Gain or loss on disposal of fixed assets	0	0	0	(731)	(731)
<b>Total expenditure</b>	<b>316,975</b>	<b>20,604</b>	<b>337,579</b>	<b>149,807</b>	<b>487,386</b>
<b>Income:</b>					
Service income	(34,953)	(192)	(35,145)	(9,939)	(45,084)
Additional specific grants	(6,075)	(2,383)	(8,458)	(9,208)	(17,666)
Interest and investment income	0	0	0	(756)	(756)
Income and council tax	0	0	0	(103,568)	(103,568)
Government grants and contributions	0	0	0	(201,476)	(201,476)
<b>Total income</b>	<b>(41,028)</b>	<b>(2,575)</b>	<b>(43,603)</b>	<b>(324,947)</b>	<b>(368,550)</b>
<b>Contributions to/(from) reserves</b>	<b>2,738</b>	<b>0</b>	<b>2,738</b>	<b>(2,738)</b>	<b>0</b>
<b>Net expenditure/(income)</b>	<b>278,685</b>	<b>18,029</b>	<b>296,714</b>	<b>(177,878)</b>	<b>118,836</b>

### Future Prospects

#### Financial

The Police and Crime Commissioner approved a net revenue budget for 2016/17 for the Group of £303.0m, which represented an increase in net budget compared to 2015/16 of £1.798m (0.6%). The DCLG again imposed a cap of 2% on council tax increases and the

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Commissioner approved a 1.99% (£3.13) precept increase which increased the council tax rate for band D to £160.46.

The medium term spending forecast shows an estimated budget shortfall of £6m by 2019/20 assuming 1.99% council tax precept increases from 2016/17 onwards. A council tax freeze each year would increase the shortfall by a further £6m by 2019/20.

## Operational

Operationally, the constabulary made the following improvements in 2015/16 which will have an ongoing impact in 2016/17 and beyond:-

- In 2015/16, the new Operational Change Programme was implemented. This has resulted in a new functional based structure for the Force creating forcewide commands for Response & Patrol, Prevention & Neighbourhoods, Investigations and Intelligence & Tasking Directorate. As part of the new structure changes a Resolution Centre was introduced. The Resolution Centre will deal with calls that do not require an emergency response or, in some cases, the deployment of a police resource to a particular scene. Calls into Contact Management are assessed for threat, harm, opportunity to solve and risk before being tasked to for an emergency response, immediate investigation, attendance or resolution via the Resolution Centre. This allows the Constabulary to prioritise the use of the resources available;
- A crime data integrity programme was introduced to improve the quality of crime recording. Thus, national reviews of policing identified that the recording of crime required refreshing and review. A national initiative to improve Crime Data Integrity was started and Hampshire Constabulary implemented this fully in 2015/16. This has resulted in a higher number of incidents being classified as a crime for crime recording purposes both nationally and in Hampshire and the Isle of Wight;
- A shift in emphasis from volume crime to threat, risk and harm to recognise new crime types. Despite the introduction of Crime Data Integrity some more traditional crime types have continued to fall. Policing is facing a changing emphasis in the services required to deal with increasing amounts of cyber crime and to better assist those in the community that are most vulnerable. Consequently the current top force operational priorities include Child Sex Exploitation, doing the right thing for victims and Domestic Abuse.

The Estates Change Programme (ECP) continues to be a key facilitator to operational and service redesign across the force area 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.

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In addition to change operationally and across the force estate, the Commissioner and the Chief Constable are party to a joint working arrangement with Hampshire County Council (HCC) and Hampshire Fire and Rescue Service (HFRS). Thus, staff were transferred in 2014 to HCC and a new entity called 'H3' (under the umbrella of HCC but jointly governed by all three partners) now provides 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.

### Further information

Further information on these accounts is available from the Director of Corporate Resources, Hampshire County Council, The Castle, Winchester, SO23 8UB, Telephone: (01962) 847533, e-mail: [budget@hants.gov.uk](mailto:budget@hants.gov.uk)

## Statement of Responsibilities

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### The Chief Constable's Responsibilities

The Chief Constable is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this organisation, that officer is the Chief Finance Officer;
- Manage the organisation's affairs to secure economic, efficient, and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the 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 draft Statement of Accounts for 2015/16 give a true and fair view of the financial position of the Chief Constable at 31 March 2016 and the income and expenditure for the year then ended

**Signed:**

**Date:**



**Opinion on the Chief Constable for Hampshire Constabulary's financial statements**

**To follow at the conclusion of the audit**

## Independent Auditor's Report

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To follow at the conclusion of the audit

## Independent Auditor's Report

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To follow at the conclusion of the audit

### 1. SCOPE OF RESPONSIBILITIES

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

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the Constabulary is directed and controlled and its activities through which it accounts to and engages with the public. It enables the Constabulary to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Constabulary's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Hampshire Constabulary for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

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

## Annual Governance Statement – Chief Constable

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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 Chief Constable and Police and Crime Commissioner. The Constabulary has a Chief Officers Group that meets fortnightly and an Executive that meets fortnightly so that one of these meetings occurs each week. The Executive includes a wider number of leaders, including Chief Superintendent level officers and staff. The HC2020 Programme is the governance board for all major change projects and is charged with identifying savings required to balance the reducing budget. The joint Thames Valley Police & Hampshire Bi-lateral Collaboration Governance Board met during 2015/16 to review performance of the collaborated Operations, ICT and Information Management units. The governance arrangements and the collaboration business plans 2014-16 were agreed by both PCCs and both Chief Constables. This Collaboration Board oversees the development of ICT, 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. 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 Assistant Chief Constable (ACC) who works directly to the Chief Constable of Thames Valley Police to exercise overall command of the regional crime and counter terrorism functions. The ACC also represents serious organised crime at the Regional Governance Board and nationally with the National Crime Agency and other key stakeholders. The Chief Constable meets on a quarterly basis with the Chief Executive of Hampshire County Council and the Chief Officer for Hampshire Fire and Rescue to oversee the Shared Service function that provides corporate support to all three organisations through a partnership arrangement.
- 3.4 The performance of the Constabulary is reviewed at monthly Force Performance meetings, which includes a representative from the Office of the Police and Crime Commissioner (OPCC). Performance is also reviewed by inspection agencies including Her Majesty's Inspectorate of Constabulary (HMIC), external audit, internal audit, the Health & Safety Executive, other statutory agencies and volunteer schemes such as custody visitors. 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 The Constabulary runs an internal inspection programme which focuses on each district, the Police Investigation Centres and other teams identified for specific

attention. The programme involves an inspection team undertaking a review of performance as well as key interviews with staff to get their views followed by an intensive day long inspection overseen by the Deputy Chief Constable. In 2015/16, the inspection programme for vulnerability has received positive feedback from HMIC.

- 3.6 The Constabulary introduced an Ethics Committee which is chaired by the Assistant Chief Officer and has membership from across the Constabulary and external views from a member of the Independent Advisory Group. It provides an opportunity to debate ethical issues and embeds the Code of Ethics within the organisation. At each meeting a sample of heads of departments are asked to explain how they are embedding the Code of Ethics within their unit.
- 3.7 The Constabulary introduced a Pension Board with effect from 1 April 2015 in accordance with the statutory requirement. The Board is chaired by the Chief Finance Officer and has equal membership from the 'employer' and employee' sides, including people that hold positions in the Federation, Superintendents Association, National Association of Retired Police Officers and the Office of the PCC. The Board meets four times per annum.
- 3.8 It should be noted that the Constabulary has delivered savings of £80m 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 changes necessary
- 3.9 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 shared Director of Information with Thames Valley Police. The SIRO is responsible for the risk profile, identifying risks and making sure mitigations are in place
- 3.10 The key elements of the Constabulary's arrangements for governance are:
  - a. the Constabulary's vision of its purpose and intended outcomes for people and service users has been reviewed in consultation with key stakeholders. It has been promoted by the Chief Constable at the Senior Leaders Conference and at various events and Roadshows. These will be published on the Constabulary's website in 2015/16.
  - b. the arrangements for governance have been reviewed and updated to reflect the changes in structure and guidance such as the Code of Ethics.
  - c. the Police and Crime Plan sets the priorities for the OPCC. These translate into objectives for the Constabulary, known as the Policing Commitments. The Constabulary has a suite of policies and procedures that set out more detailed requirements. It was noted in 2015/16 that some policies and procedures were past their date for review. In many cases, those procedures will be low risk where no changes may be necessary but a programme of work is underway to ensure that all policies and procedures are updated. Higher risk policies and procedures were prioritised for review.
  - d. the Performance Profile is reviewed at the monthly Force Performance Group. It measures the quality of service for users, including use of resources. Members of

the public can look at the Crime Reports tool on the website to see how crime, incidents and anti-social behaviour is being dealt with in their area. The HMIC publishes on its website a value for money study that the Constabulary uses to identify any potential improvements.

- e. roles and responsibilities are documented in law (e.g. Police Reform and Social Responsibility Act 2011), the Financial Management Code of Practice, the Code of Corporate Governance and in role profiles for police officers, police staff and volunteers. 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. Decisions made by the Constabulary at key meetings are recorded as notes for reference and communication.
- h. the Deputy Chief Constable is responsible for the Risk Register. The internal audit review of risk management found that adequate arrangements are now in place. However, more work is required to broaden awareness of the risk management arrangements and there is an ongoing need to ensure that risks are identified and updated.
- i. counter fraud and anti-corruption strategies are developed and maintained by the Professional Standards Development and Compliance Unit. This gives the Constabulary in house capability to undertake proactive and reactive reviews of police operational and business transactions. Returns are submitted for national anti fraud and corruption work as well. The results from the CIPFA Counter Fraud Assessment Tool showed that although the leadership team has been shown to be fully supportive of promoting the Code of Ethics, there was no specific statement of specific fraud and corruption threats and the harm that could be caused.
- j. the HC2020 Programme oversees a number of programmes and boards who are delivering change and transformation. The major change programmes that are being developed are Estate Change Programme (led by the Office for the PCC), ICT 5 year plan, Contact Management Programme, Digital Policing Programme, Emergency Service Mobile Communications Programme and the individual strands under the HC2020 Programme.
- 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 Chief Officer Group, Executive, HC2020 Steering Group, Force Performance Group and Estate Change Programme Board. Financial Regulations, Standing Orders on Contracts and a Scheme of Delegation are in place.
- l. the Chief Internal Auditor ensures that the Chief Constable's assurance arrangements conform to 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.

- m. the Monitoring Officer responsibilities are required, by law, to be discharged by the Chief Executive of the Police and Crime Commissioner. The Force Solicitor provides legal advice to the Chief Constable.
- n. the Chief Constable is the head of paid service. The discharge of his functions is monitored by the Police and Crime Commissioner.
- 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 2015/16. The terms of reference for the Joint Audit Committee were determined by the Chief Constable and follow 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. The Constabulary's Compliance Unit and internal and external audit assist in the review of the controls and compliance with the control framework.
- q. a confidential online reporting facility is in place. This is owned by the Professional Standards Department for both internal and external complaints against all personnel. Complaints are reviewed and acted upon. Complaints about the Chief Constable are considered by the Police and Crime Commissioner and can be made online on the Police and Crime Commissioner's website.
- 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 Constabulary has a Performance and Consultation team which uses a variety of consultation survey methods to communicate with all sections of the community. Corporate Communications also lead communication through public meetings, leaflets, media statements, website and social media. However, there is an open communication policy which means that all officers and staff are able to communicate directly with their stakeholders, for example, Safer Neighbourhood Teams can communicate directly with their community through their Twitter accounts. The communication strategy takes into account target markets so additional effort is made to communicate with hard to reach groups. The website has been upgraded to offer more information and facilitate more online communication from stakeholders such as online crime reporting.
- t. the Chief Constable is held to account by the Police and Crime Commissioner. Particular focus is given on performance against the priorities and measures set out in the Police and Crime Plan. In addition, a series of public meetings have taken place where the Police and Crime Commissioner and Chief Constable are held to account in public for service delivery and effectiveness.
- u. delivery leads on partnerships are reminded of the need for good governance arrangements.

## 4. REVIEW OF EFFECTIVENESS

- 4.1 Hampshire Constabulary has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal



control. The review of effectiveness is informed by the work of the executive managers within the Constabulary who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

- 4.2 The Constabulary completes a matrix produced by CIPFA in order to review detailed aspects of governance arrangements in order to identify potential weaknesses. This takes into account findings from inspection agencies but in particular annual opinions from auditors.
- 4.3 The Joint Audit Committee has given independent advice to the Police and Crime Commissioner and Chief Constable 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 review of the risk management arrangements has been undertaken with significant assistance from the Joint Audit Committee. There are still improvements that are being made including greater narrative explaining the up to date situation for each risk, but audits undertaken during 2015/16 have shown that risk management is no longer a significant concern. However, there is still work to do to promulgate the new Risk Management processes.
- 5.2 The Constabulary has a vision that describes its purpose and policing commitments that it aims to achieve. However, these were not published in a way that is easy to access in 2014/15. In 2015/16 the Force Mission, Vision, Priorities, Code of Ethics, Values, Leadership Principles and Equality and Inclusion Statement were added to the 'About us' section of the Force website. In addition, the Constabulary will seek to agree a specific statement in relation to the threat and harm from fraud and corruption.
- 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 recent CIPFA guidance specifically for Police Joint Audit Committees. These will be subject to annual review. Following discussions it was agreed that further work should be undertaken on the Committee's Annual Report and Review of Effectiveness.
- 5.4 The Constabulary has a shared ICT function for which Thames Valley Police is the lead partner. During 2015/16, the contract of the interim temporary Head of ICT for Thames Valley and Hampshire was terminated whilst he was under investigation by another police force. There is an ongoing review, overseen by the Thames Valley Police Deputy Chief Constable, to consider issues relating to recruitment and vetting, procurement processes and the management of supplier performance under contracts.

- 5.5 During 2015/16 there have been some issues reported in relation to the performance of the Shared Service function. Ongoing improvements are being delivered as further enhancements are being rolled out and as staff and stakeholders, such as suppliers, become more used to the new ways of working. In addition, a more formal review of processes is being undertaken in 2016/17 to assess whether any more significant changes should be adopted, for example investing in additional interfaces or changing the degree of self service.
- 5.6 The Constabulary has a suite of policies and procedures that set out more detailed requirements. It was noted in 2015/16 that some policies and procedures were past their date for review. In many cases, those procedures will be low risk where no changes may be necessary but a programme of work is underway to ensure that all policies and procedures are updated. Higher risk policies and procedures were prioritised for review.

The Chief Constable 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.

Signed by:

Chief Constable of Hampshire Constabulary

Chief Finance Officer

## Movement in Reserves Statement

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This statement shows the movement in the year on the different reserves held by the Chief Constable, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable'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. The Chief Constable does not hold any general fund reserves.

## Movement in Reserves Statement

	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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 1 April 2014</b>	0	0	0	0	0	0	(2,655,724)	(2,655,724)	
<b>Movements during 2014/15</b>									
Surplus or (deficit) on the provision of services	(122,576)	0	0	0	0	(122,576)	0	(122,576)	CIES
Other Comprehensive Income and (Expenditure)	0	0	0	0	0	0	(259,970)	(259,970)	CIES
<b>Total Comprehensive Income and Expenditure</b>	(122,576)	0	0	0	0	(122,576)	(259,970)	(382,546)	
Adjustments between accounting basis & funding basis under regulations	122,576	0	0	0	0	122,576	(122,576)	0	14
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	0	0	0	0	0	0	(382,546)	(382,546)	
Transfers to/from earmarked reserves	0	0	0	0	0	0	0	0	
<b>Increase/(Decrease) in year</b>	0	0	0	0	0	0	(382,546)	(382,546)	
<b>Balance at 31 March 2015</b>	0	0	0	0	0	0	(3,038,271)	(3,038,271)	18
<b>Movements during 2015/16</b>									
Surplus or (deficit) on the provision of services	(115,865)	0	0	0	0	(115,865)	0	(115,865)	CIES
Other comprehensive income and (expenditure)	0	0	0	0	0	0	378,378	378,378	CIES
<b>Total Comprehensive Income and Expenditure</b>	(115,865)	0	0	0	0	(115,865)	378,378	262,513	
Adjustments between accounting basis & funding basis under regulations	115,865	0	0	0	0	115,865	(115,865)	0	14
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	0	0	0	0	0	0	262,513	262,513	
Transfers to/from earmarked reserves	0	0	0	0	0	0	0	0	
<b>Increase/(Decrease) in Year</b>	0	0	0	0	0	0	262,513	262,513	
<b>Balance at 31 March 2016</b>	0	0	0	0	0	0	(2,775,757)	(2,775,757)	18

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15				2015/16			Note
Net Expenditure	Gross Expenditure	Gross Income		Net Expenditure	Gross Expenditure	Gross Income	
£'000	£'000	£'000		£'000	£'000	£'000	
116,213	120,903	(4,690)	Local policing	109,843	112,260	(2,417)	
29,553	29,862	(309)	Dealing with the public	24,601	24,961	(360)	
29,584	31,505	(1,921)	Criminal justice arrangements	25,081	27,202	(2,121)	
10,492	16,242	(5,750)	Roads policing	10,031	17,076	(7,045)	
12,874	16,424	(3,550)	Operational support	13,133	17,611	(4,478)	
14,232	14,837	(605)	Intelligence	18,618	19,032	(414)	
66,795	69,372	(2,577)	Investigation	76,660	79,124	(2,464)	
12,431	12,567	(136)	Investigative support	11,356	11,521	(165)	
(6,247)	27,572	(33,819)	National policing	(6,307)	34,404	(40,711)	
140	140	0	Corporate and democratic core	252	252		9
217	217	0	Non distributed costs	11,530	11,530		
<b>286,284</b>	<b>339,641</b>	<b>(53,357)</b>	<b>Net Cost of Police Services before impairment/funding</b>	<b>294,798</b>	<b>354,973</b>	<b>(60,175)</b>	
(275,698)	(329,055)	53,357	Intra-group funding	(274,633)	(334,808)	60,175	
<b>10,586</b>	<b>10,586</b>	<b>0</b>	<b>Net Cost of Police Services</b>	<b>20,165</b>	<b>20,165</b>	<b>0</b>	
111,990			Financing and investment income and expenditure	95,700			16
<b>122,576</b>			<b>(Surplus) / Deficit on Provision of Services</b>	<b>115,865</b>			
0			(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	0			
0			(Surplus) / deficit on revaluation of available for sale financial assets	0			
(18,890)			Return on plan assets	4,280			8
278,860			Actuarial (gains) / losses on pension assets/liabilities	(382,658)			8
259,970			<b>Other Comprehensive Income and Expenditure</b>	<b>(378,378)</b>			
<b>382,546</b>			<b>Total Comprehensive Income and Expenditure</b>	<b>(262,513)</b>			

## Balance Sheet

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

The net assets 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'.

The majority of assets and liabilities are held by the Commissioner. The Chief Constable only holds balances in respect of IAS19 (Employee benefits).

31 March 2015			31 March 2016	Note
£'000			£'000	
(3,793)	Short term creditors		(4,070)	17
<b>(3,793)</b>	<b>Current Liabilities</b>		<b>(4,070)</b>	
(3,034,478)	Liability related to pension schemes		(2,771,687)	8
<b>(3,034,478)</b>	<b>Long Term Liabilities</b>		<b>(2,771,687)</b>	
<b>(3,038,271)</b>	<b>Net Assets/(Liabilities)</b>		<b>(2,775,757)</b>	
0	Usable reserves		0	MIRS
(3,038,271)	Unusable reserves		(2,775,757)	18
<b>(3,038,271)</b>	<b>Total Reserves</b>		<b>(2,775,757)</b>	

Signed:

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. All cash and cash equivalents are held by the Commissioner.

2014/15 £'000		2015/16 £'000
122,576	Net (surplus) or deficit on the provision of services	115,865
(122,576)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(115,865)
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

## Notes to the core financial statements

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### 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 (2015). This code is recognised by statute as representing proper accounting practices. Any significant non-compliance is explained in the following notes. The accounts have been compiled by applying the most appropriate policies and estimation techniques, taking into account the accounting concepts of qualitative characteristics of financial information (i.e. relevance, reliability, comparability and understandability), materiality and the pervasive accounting concepts (i.e. accruals, going concern and primacy of legislative requirements). All material income and expenditure including receipts, grants and employee costs have been accrued to the financial year to which they relate.

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

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

#### 1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Chief Constable 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 Chief Constable.
- Revenue from the provision of services is recognised when the Chief Constable 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 Chief Constable.
- 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.

## Notes to the core financial statements

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- 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 Chief Constable'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 on-going and are regular, such as quarterly or monthly payments for utilities, the Chief Constable takes a pragmatic approach and ensures that four quarters or twelve months are recorded in any one year where such payments or receipts are of relatively consistent amounts.

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

### 1.3 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Chief Constable'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 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

## Notes to the core financial statements

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- 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.

### 1.5. Service Expenditure Analysis

The Service Reporting Code of Practice 2015/16 (SeRCOP) specifies the headings to present the statutory income and expenditure accounts and defines those headings. The requirement for 2015/16 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.

### 1.6 Central Support

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

### 1.7 VAT

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

### 1.8 Specific Grants

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

### 1.9 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 Chief Constable 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.

### 1.10 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 Chief Constable when there is reasonable assurance that:

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

Amounts recognised as due to the Chief Constable are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution

## Notes to the core financial statements

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have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### 1.11 Employee Benefits

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and flexitime for current employees and are recognised as an expense for services in the year in which employees render service to the 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

## Notes to the core financial statements

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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 three police pension schemes in operation, known as the 1987, 2006 and 2015 schemes which offer different terms and benefits. All are unfunded schemes. Both 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 most pension account incomings and outgoings each year are paid to or from the Home Office. The exceptions to this funding arrangement are that the Commissioner is responsible for the costs of injury pensions and 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 members are eligible to join the Local Government Pension Scheme administered by Hampshire County Council. This is a funded scheme. In 2015/16 the Chief Constable paid an employer's contribution representing 13.1% of pensionable pay in addition to a fixed charge element totalling £4.368m. The contribution rate is determined by the Fund's actuary based on valuations every three years. The employers' contribution rate

## Notes to the core financial statements

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for 2016/17 will remain at 13.1% of pensionable pay and the fixed charge element will also remain at £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.

The Chief Constable employs the majority of staff who previously were under the employment of the Commissioner. Consequently, 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 objectives. 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.

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

### 1.12 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 2015/16* (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.

### 1.13 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Chief Constable 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 Chief Constable. 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.

## Notes to the core financial statements

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### 1.14 Contingent Assets

A contingent asset arises where an event has taken place that gives the Chief Constable 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 Chief Constable.

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.

### 1.15 Reserves

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 Chief Constable would have to find if all officers and staff were able to claim their pension as at 31 March 2016. 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).

### 1.16 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 in the Group accounts.

### 1.17 Changes in Accounting Policies

There were no changes in the 2015/16 Code which affected these statements.

### 1.18 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.

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### 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.

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- IAS1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis;
- In addition there are a number of minor amendments, including the Annual Improvements to IFRSs, IAS 19 Employee benefits, IFRS 11 Joint arrangements and IFRS 16 Property Plant and Equipment. These changes are minor, principally improving clarification and are not expected to have a material impact on the Statement of Accounts;
- The CIPFA Code of Practice on Transport Infrastructure Assets requires transport infrastructure assets to be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. Whilst still subject to confirmation, it is not anticipated that the new standard will apply to the Chief Constable.

All these changes take effect from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

None of the above amendments are expected to have a material impact upon the financial statements of the Chief Constable for Hampshire or the group accounts.

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### 3 – Prior Period Adjustments

#### Changes to the management of functions within the Constabulary

There were no changes in the accounts which warranted a prior period adjustment for the 2014/15 comparators to the 2015/16 disclosures. Minor changes were made, as disclosed in the disclosure notes, but none of these were material – on either a quantitative or qualitative basis – which would have required restatement.

#### 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.

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### 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 were significant cuts in levels of funding for Commissioners following the government's spending review in 2010, which covered the period up to 2014/15. The election of a new government in May 2015 was expected to continue this period of austerity and the medium term financial projections were developed accordingly. In reality, the new government agreed what it called "a fair deal for police" which was to give Commissioners and Chief Constables certainty over the review period (i.e. to 2020) by maintaining financial settlements in real terms (once precept increases of 2% per annum were taken into account). This was welcome news to Commissioners but it was predicated on annual precept increases and there was still a level of uncertainty around the amount by which the overall policing budget would be top-sliced for central government initiatives, which divert resources away from the individual forces. An additional factor is inflation which impacts most budgets over the medium term;
- In the light of changes to the policing structure and the resource issues faced by the Commissioner in the short and medium term, changes have been made – and continue to be made - 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;
- All surplus properties have been reviewed and revalued in accordance with the IFRS 13 accounting standard, which came into use on 1 April 2015. None of these properties have been determined as being held for investment purposes;
- An assessment of the Commissioner's interests in companies and other entities was carried out in 2014/15 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

## Notes to the core financial statements

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 was 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 were included as appropriate. This position remained unchanged in 2015/16. Further information is disclosed in note 10.

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

- The Chief Constable is now classed as a local authority, allowing her to benefit from the statutory overrides contained in the Accounts and Audit Regulations 2015;
- 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 2015/16 Statement of Accounts:-

Consideration	Accounting determination		Reasoning
	PCC	CC	
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.

## Notes to the core financial statements

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

## Notes to the core financial statements

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### 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 Chief Constable 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 Chief Constable's Balance Sheet at 31 March 2016 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
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.

## Notes to the core financial statements

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

	<b>CIES Subjective</b>		
<b>2014/15</b>		<b>2015/16</b>	
<b>CC</b>		<b>CC</b>	<i>Note</i>
<b>£'000</b>	<b>Gross Expenditure</b>	<b>£'000</b>	
263,679	Employees (including police pensions)	264,682	
3,915	Premises	2,803	
7,229	Transport	6,430	
19,463	Supplies and Services	19,957	
46,917	Third party Payments	57,862	
0	Depreciation and Impairment	0	
<b>341,203</b>	<b>Gross cost of services</b>	<b>351,734</b>	
	<b>Service Income</b>		
(41,595)	Service Income	(44,781)	
(11,763)	Additional Grants	(15,395)	13
<b>(53,358)</b>	<b>Total Service Income</b>	<b>(60,176)</b>	
(277,259)	Intra group adjustment	(271,394)	
<b>10,586</b>	<b>Net Cost of Services</b>	<b>20,164</b>	
0	Other operating income and expenditure	0	
111,990	Financing and investment income and expenditure	95,700	16
0	Taxation and non specific grant income	0	
<b>122,576</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>115,864</b>	
0	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	0	
0	Surplus or deficit on revaluation of available for sale financial assets	0	
(18,890)	Return on plan assets	4,280	8
278,860	Actuarial (gains)/losses on pension assets/liabilities	(382,658)	8
<b>259,970</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(378,378)</b>	
<b>382,546</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(262,514)</b>	

### 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 Chief Constable on the basis of budget reports analysed across the operational directorates within the Constabulary and the Commissioner's own activities. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

The income and expenditure of the Chief Constable's principal operational directorates and the Commissioner himself as recorded in the budget reports for the year is shown on the following pages. There are separate pages for 2015/16 and for 2014/15 as the comparator. The first provides a reconciliation of the income and expenditure to the operational directorates (portfolios) to the Cost of Services shown in the Comprehensive Income and Expenditure Statement. The second page reconciles the same to the subjective analysis shown in note 6.

The figures reported to the Chief Constable in June are based on the outturn figures as 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 Chief Constable. As such, they represent the updated figures which would be reported at the time the audited accounts are approved.

## Notes to the core financial statements

	Police Service	General Items	Police and Crime Commissioner	Group Total
2015/16	£'000	£'000	£'000	£'000
<b>Expenditure:</b>				
Employees	232,061		2,947	235,008
Premises	0		10,507	10,507
Transport	5,988		82	6,070
Supplies and Services	16,207		6,594	22,801
Third Party Payments	59,597		474	60,071
<b>Total Expenditure</b>	<b>313,853</b>	<b>0</b>	<b>20,604</b>	<b>334,457</b>
<b>Income:</b>				
Service Income	(34,953)		(192)	(35,145)
Additional Specific Grants	(6,075)		(2,383)	(8,458)
<b>Total Income</b>	<b>(41,028)</b>	<b>0</b>	<b>(2,575)</b>	<b>(43,603)</b>
Contributions to/(from) reserves	2,738			2,738
Capital Financing (net)		3,122		3,122
Interest on balances				0
<b>Net Expenditure</b>	<b>275,563</b>	<b>3,122</b>	<b>18,029</b>	<b>296,714</b>
<b>Reconciliation of portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>				<b>£000</b>
Net expenditure in the Portfolio Analysis				296,714
Net expenditure of services and support services not included in the Analysis				45
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis				37,419
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement				(8,776)



## Notes to the core financial statements

2015/16	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
<b>Expenditure:</b>							
Employees	235,010	12,572	20,258	0	267,840	0	267,840
Premises	10,507	1,249	4,074	0	15,830	0	15,830
Transport	6,070	442	0	0	6,512	0	6,512
Supplies and Services	22,801	3,751	0	0	26,552	0	26,552
Third Party Payments	60,071	1,066	0	(2,802)	58,335	0	58,335
Depreciation, amortisation and impairment	0	0	13,087	0	13,087	0	13,087
Pensions interest cost and expected return on pension assets						95,700	95,700
Interest Payments						1,460	1,460
Precepts & Levies						2,806	2,806
Gain or Loss on Disposal of Fixed Assets						(731)	(731)
<b>Total Expenditure</b>	<b>334,459</b>	<b>19,080</b>	<b>37,419</b>	<b>(2,802)</b>	<b>388,156</b>	<b>99,235</b>	<b>487,391</b>
<b>Income:</b>							
Service Income	(35,146)	(12,067)		2,127	(45,086)		(45,086)
Additional Specific Grants	(8,459)	(7,076)		(2,133)	(17,668)		(17,668)
Income from council tax					0	(103,568)	(103,568)
Government grants and contributions					0	(201,476)	(201,476)
<b>Total Income</b>	<b>(43,605)</b>	<b>(19,143)</b>	<b>0</b>	<b>(6)</b>	<b>(62,754)</b>	<b>(305,044)</b>	<b>(367,798)</b>
Contributions to/(from) reserves	2,738	108		(2,846)	0		0
Capital Financing (net)	3,122	0	0	(3,122)	0	0	0
Interest on balances					0	(757)	(757)
<b>Net Expenditure</b>	<b>296,714</b>	<b>45</b>	<b>37,419</b>	<b>(8,776)</b>	<b>325,402</b>	<b>(206,566)</b>	<b>118,836</b>

## Notes to the core financial statements

2014/15	Police Service	General Items	Police and Crime Commissioner	Group Total
	£'000	£'000	£'000	£'000
<b>Expenditure:</b>				
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
<b>Total Expenditure</b>	<b>316,264</b>	<b>3,452</b>	<b>18,119</b>	<b>337,835</b>
<b>Income:</b>				
Service Income	(34,587)	0	(198)	(34,785)
Additional Specific Grants	(5,978)	0	(1,331)	(7,309)
<b>Total Income</b>	<b>(40,565)</b>	<b>0</b>	<b>(1,529)</b>	<b>(42,094)</b>
<b>Contributions to/(from) reserves</b>	<b>7,357</b>	<b>(665)</b>	<b>(3,534)</b>	<b>3,158</b>
<b>Net Expenditure</b>	<b>283,056</b>	<b>2,787</b>	<b>13,056</b>	<b>298,899</b>
<b>Reconciliation of portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>				<b>£000</b>
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				<b>308,606</b>

## Notes to the core financial statements

2014/15	Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>Expenditure:</b>							
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)
<b>Total Expenditure</b>	<b>337,835</b>	<b>11,180</b>	<b>17,929</b>	<b>(3,450)</b>	<b>363,494</b>	<b>114,685</b>	<b>478,179</b>
<b>Income:</b>							
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)
<b>Total Income</b>	<b>(42,094)</b>	<b>(12,794)</b>	<b>0</b>	<b>0</b>	<b>(54,888)</b>	<b>(311,341)</b>	<b>(366,229)</b>
<b>Contributions to/(from) reserves</b>	<b>3,158</b>	<b>1,641</b>	<b>0</b>	<b>(4,799)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Expenditure</b>	<b>298,899</b>	<b>27</b>	<b>17,929</b>	<b>(8,249)</b>	<b>308,606</b>	<b>(196,656)</b>	<b>111,950</b>

### 8 - IAS19 (Pensions Accounting) entries and disclosures

#### Participation in pensions schemes

As part of the terms and conditions of employment of its 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 support staff, administered by Hampshire County Council. This is a funded defined benefit final salary scheme, meaning that the Chief Constable and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;
- Arrangements for the award of discretionary post retirement benefits upon early retirement in respect of members of the LGPS. Liabilities are recognised when an award is made and the Chief Constable recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure. Note that the employer's liabilities under these arrangements are not material and the relevant transactions and liabilities are included with the overall LGPS funded scheme;
- The Police Pension Schemes for police officers. These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amount receivable by the pensions fund for the year is less than amount paid out, the Commissioner must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary approval, up to 100% of this cost is met by a central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Commissioner which must then repay the amount to central government.

#### Transactions relating to retirement benefits

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

## Notes to the core financial statements

	1987 Police Pension Scheme		2006 Police Pension Scheme		2015 Police Pension Scheme	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>						
<i>Cost of Services</i>						
- Current service cost	36,050	21,070	6,950	500	0	15,100
- Past service costs	0	10,990	0	0	0	0
- (Gain)/loss from settlements	0	0	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>						
Net interest expense	102,430	86,320	2,800	3,080	0	120
<i>Total Charge to the Surplus or Deficit on the Provision of Services</i>	<b>138,480</b>	<b>118,380</b>	<b>9,750</b>	<b>3,580</b>	<b>0</b>	<b>15,220</b>
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>						
<i>Remeasurement of the net defined benefit liability comprising:</i>						
Return on plan assets (excluding the amount included in the net interest expense)	0	0	0	0	0	0
- Actuarial (Gains)/Losses arising:-						
- from changes in experience	(15,650)	(142,170)	(10)	(11,980)	0	0
- from changes in demographic assumptions	0	(18,610)	0	(1,330)	0	980
- from changes in financial assumptions	219,820	(178,128)	26,320	(6,128)	0	19,728
<i>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>	<b>342,650</b>	<b>(220,528)</b>	<b>36,060</b>	<b>(15,858)</b>	<b>0</b>	<b>35,928</b>
<i>Movement in Reserves Statement</i>						
Reverse charge to Provision of Services	(138,480)	(118,380)	(9,750)	(3,580)	0	(15,220)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>						
Employer's contributions to the scheme	25,040	13,932	5,190	432	0	13,698
Benefits paid direct to beneficiaries	0	0	0	0	0	0
<i>Charge on General Fund</i>	<b>25,040</b>	<b>13,932</b>	<b>5,190</b>	<b>432</b>	<b>0</b>	<b>13,698</b>

[table continues on the next page]

## Notes to the core financial statements

	Injury Pensions (police officers)		LGPS (Police Staff)		All schemes - Summary	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>						
<i>Cost of Services</i>						
- Current service cost	1,350	1,160	10,490	13,180	54,840	51,010
- Past service cost	0	0	210	350	210	11,340
- (Gain)/loss from settlements	0	0	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>						
Net interest expense	2,370	2,020	4,390	4,160	111,990	95,700
<b>Total Charge to the Surplus or Deficit on the Provision of Services</b>	<b>3,720</b>	<b>3,180</b>	<b>15,090</b>	<b>17,690</b>	<b>167,040</b>	<b>158,050</b>
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>						
<i>Remeasurement of the net defined benefit liability comprising:</i>						
- Return on plan assets	0	0	(18,890)	4,280	(18,890)	4,280
- Actuarial (Gains)/Losses arising:-						
- from changes in experience	(330)	(15,230)	(1,580)	(3,000)	(17,570)	(172,380)
- from changes in demographic assumptions	0	(460)	0	0	0	(19,420)
- from changes in financial assumptions	6,470	(2,540)	43,820	(23,790)	296,430	(190,858)
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>9,860</b>	<b>(15,050)</b>	<b>38,440</b>	<b>(4,820)</b>	<b>427,010</b>	<b>(220,328)</b>
<i>Movement in Reserves Statement</i>						
Reverse charge to Provision of Services	(3,720)	(3,180)	(15,090)	(17,690)	(167,040)	(158,050)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>						
Employer's contributions payable to the s	0	0	11,810	12,520	42,040	40,582
Benefits paid direct to beneficiaries	1,710	1,880	0	0	1,710	1,880
<b>Charge on General Fund</b>	<b>1,710</b>	<b>1,880</b>	<b>11,810</b>	<b>12,520</b>	<b>43,750</b>	<b>42,462</b>

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 Chief Constable is 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.

### 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 2016.

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

## Notes to the core financial statements

replaced by the actual figure. The difference is not material (£97,000), especially as all IAS19 figures are estimates.

The nature of the three 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:-

	<b>1987 Police Pension Scheme</b>		<b>2006 Police Pension Scheme</b>		<b>2015 Police Pension Scheme</b>	
Value at year ending	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£m	£m	£m	£m	£m	£m
Present value of the defined benefit obligation	2,742.18	2,507.72	95.91	79.62	0.00	22.23
Fair value of plan assets	0.00	0.00	0.00	0.00	0.00	0.00
Sub-total	2,742.18	2,507.72	95.91	79.62	0.00	22.23
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	2,742.18	2,507.72	95.91	79.62	0.00	22.23
	<b>Injury Pensions (police officers)</b>		<b>Local Govt Pension Scheme</b>		<b>Total</b>	
Value at year ending	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£m	£m	£m	£m	£m	£m
Present value of the defined benefit obligation	64.07	47.14	353.88	349.52	3,256.04	3,006.23
Fair value of plan assets	0.00	0.00	(221.66)	(234.64)	(221.66)	(234.64)
Sub-total	64.07	47.14	132.22	114.88	3,034.38	2,771.59
Other movement in the liability (asset)	0.00	0.00	0.00	0.00	0.00	0.00
Net liability/(asset) arising from the defined benefit	64.07	47.14	132.22	114.88	3,034.38	2,771.59

## Notes to the core financial statements

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

	1987 Police Pension Scheme		2006 Police Pension Scheme		2015 Police Pension Scheme	
	2014/15 £m	2015/16 £m	2014/15 £m	2015/16 £m	2014/15 £m	2015/16 £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)	47.90	76.42	(7.74)	(0.82)	0.00	(21.31)
Employer contributions	25.04	13.93	5.19	0.43	0.00	13.70
Contributions by scheme participants	12.71	6.65	2.58	0.19	0.00	7.59
Benefits Paid	(85.65)	(97.00)	(0.03)	0.20	0.00	0.02
Closing fair value of assets	0.00	0.00	0.00	0.00	0.00	0.00
			Injury Pensions (police officers)		Local Govt Pension Scheme	
			2014/15 £m	2015/16 £m	2014/15 £m	2015/16 £m
Opening fair value of assets			0.00	0.00	185.03	221.66
Interest income			0.00	0.00	8.35	7.48
Remeasurement gains and (losses):-						
- the return on plan assets (excluding the amount included in the net interest expense)			0.00	0.00	18.89	(4.28)
Employer contributions			1.71	1.88	11.81	12.52
Contributions by scheme participants			0.00	0.00	3.77	3.88
Settlements			0.00	0.00	0.00	0.00
Benefits Paid			(1.71)	(1.88)	(6.19)	(6.62)
Closing fair value of assets			0.00	0.00	221.66	234.64



## Notes to the core financial statements

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

	1987 Police Pension Scheme		2006 Police Pension Scheme		2015 Police Pension Scheme	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£m	£m	£m	£m	£m	£m
Opening Balance - 1 April	(2,424.57)	(2,742.18)	(65.04)	(95.91)	0.00	0.00
Current Service Cost	(36.05)	(21.07)	(6.95)	(0.50)	0.00	(15.10)
Interest Cost	(102.43)	(86.32)	(2.80)	(3.08)	0.00	(0.12)
Contributions from scheme participants	(12.71)	(6.65)	(2.58)	(0.19)	0.00	(7.59)
Remeasurement (gains) and losses:						
Actuarial gains and (losses) arising:-						
- from changes in experience	15.65	142.17	0.01	11.98	0.00	0.00
- from changes in demographic assumptions	0.00	18.61	0.00	1.33	0.00	(0.98)
- from changes in financial assumptions	(267.72)	101.71	(18.58)	6.95	0.00	1.58
Liabilities extinguished on settlements	0.00	0.00	0.00	0.00	0.00	0.00
Benefits Paid	85.65	97.00	0.03	(0.20)	0.00	(0.02)
Past service costs	0.00	(10.99)	0.00	0.00	0.00	0.00
Closing balance - 31 March	(2,742.18)	(2,507.72)	(95.91)	(79.62)	0.00	(22.23)
	Local Govt Pension Scheme		Injury Pensions (police officers)		Total	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£m	£m	£m	£m	£m	£m
Opening Balance - 1 April	(290.62)	(353.88)	(55.92)	(64.07)	(2,836.15)	(3,256.04)
Current Service Cost	(10.49)	(13.18)	(1.35)	(1.16)	(54.84)	(51.01)
Interest Cost	(12.74)	(11.64)	(2.37)	(2.02)	(120.34)	(103.18)
Contributions from scheme participants	(3.77)	(3.88)	0.00	0.00	(19.06)	(18.31)
Remeasurement (gains) and losses:						
Actuarial gains and (losses) arising:-						
- from changes in experience	1.58	3.00	0.33	15.23	17.57	172.38
- from changes in demographic assumptions	0.00	0.00	0.00	0.46	0.00	19.42
- from changes in financial assumptions	(43.82)	23.79	(6.47)	2.54	(336.59)	136.57
Liabilities extinguished on settlements	0.00		0.00	0.00	0.00	0.00
Benefits Paid	6.19	6.62	1.71	1.88	93.58	105.28
Past service costs	(0.21)	(0.35)	0.00	0.00	(0.21)	(11.34)
Closing balance - 31 March	(353.88)	(349.52)	(64.07)	(47.14)	(3,256.04)	(3,006.23)

## Notes to the core financial statements

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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 2017 are £11.56m. In addition, Strain on Fund Contributions may be required.

Total expected contributions for the Police Pension Schemes are £72.7m. 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 £1.88m 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 2016.

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:

## Notes to the core financial statements

	Local Government Pension Scheme		Police Pension Schemes	
	2014/15	2015/16	2014/15	2015/16
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	24.5	24.6	23.0	22.8
Women	26.3	26.4	25.5	25.3
Longevity at 65 for future pensioners				
Men	26.6	26.7	25.2	24.9
Women	28.6	28.7	27.8	27.6
Financial Assumptions:				
Inflation - RPI	3.00%	2.90%	2.90%	2.90%
Inflation - CPI	1.90%	1.80%	1.80%	1.80%
Rate of general increase in salaries	3.40%	3.30%	3.30%	3.30%
Rate of increase to pensions in payment	1.90%	1.80%	1.80%	1.80%
Rate of increase to deferred pensions	2.40%	1.80%	1.80%	1.80%
Discount rate	3.30%	3.50%	3.20%	3.40%
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 2016 and the projected service cost for the year ending 31 March 2017 is set out below:-



## Notes to the core financial statements

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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 2015	Unquoted at 31 March 2015					Quoted at 31 March 2016	Unquoted at 31 March 2016
54.9%	2.9%	Equities				52.9%	3.4%
1.1%	6.9%	Property				0.9%	7.3%
25.0%	0.4%	Government bonds				25.7%	0.0%
1.5%	0.1%	Corporate bonds				2.0%	0.1%
3.7%	0.0%	Cash				4.7%	0.0%
0.0%	3.5%	Other (e.g. Hedge funds, currency holdings)				-0.2%	3.2%
86.2%	13.8%	Total				86.0%	14.0%

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### 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 Commissioner costs excluding grants paid out and internal audit costs which are reappropriated 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.

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### 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.

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## Notes to the core financial statements

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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 £28.06m to the Police Pension Fund as contributions in respect of existing officers and those retiring due to ill-health in the year (£30.23m in 2014/15). The Local Government Pension Scheme is administered by Hampshire County Council and the Chief Constable made employer's contributions of £12.52m in 2015/16 (£11.81m in 2014/15).

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 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 2015/16 (none in 2014/15).

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. 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
Technical support (part of SEROCU)	SE Region	TVP

## Notes to the core financial statements

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Activity	Partners	Lead/Host
Joint Operations Unit	TVP	HC
Forensic laboratory	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 2015/16, grants to the trust and payments for services received by the constabulary totalled £38,000. Whilst not material to the Chief Constable, these grants represent a significant proportion of the turnover of the Trust.

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### 11 – Officer and Staff Remuneration

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

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

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

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



## Notes to the core financial statements

above include these individuals. The numbers also include people seconded to national roles whose costs are reimbursed.

Remuneration Band	2014/15	2015/16
	Number of employees	Number of employees
£50,000 - £54,999	182	166
£55,000 - £59,999	99	104
£60,000 - £64,999	45	20
£65,000 - £69,999	17	10
£70,000 - £74,999	6	10
£75,000 - £79,999	4	4
£80,000 - £84,999	5	6
£85,000 - £89,999	4	3
£90,000 - £94,999	0	3
£95,000 - £99,999	2	1
£100,000 - £104,999	1	0
£105,000 - £109,999	4	1
£110,000 - £114,999	0	1
£115,000 - £119,999	0	1
£120,000 - £124,999	1	0
£125,000 - £129,999	0	1
£140,000 - £144,999	0	1
£150,000 - £154,999	0	2
£165,000 - £169,999	1	0
<b>Totals</b>	<b>371</b>	<b>334</b>

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 2015 consolidated regulations for the disclosure of the total remuneration package of those charged with the stewardship of the organisation, being senior employees or relevant police officers of the Chief Constable. In Hampshire, the relevant police officer is the Chief Constable, who should be identified by name as well as post, regardless of his salary. However, the definition of senior employees for non-police officers is wider and covers those responsible for the strategic management of the organisation. Given the nature of the services provided by the Chief Constable and the make up of his 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 2015/16 and comparative information for 2014/15 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.

## Notes to the core financial statements

2015/16 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
	£	£	£	£	£	£	£	£	£	
<b>Constabulary</b>										
Chief Constable - 1/4/15 to 31/1/16 - A Marsh	146,920		0		5,106		152,026	29,469	181,495	
Acting Chief Constable - 1/2/16 to 31/3/16 - G McNulty	26,146		0		0		26,146	4,654	30,800	
Deputy Chief Constable - 1/4/15 to 31/1/16	124,992		0		0		124,992	23,155	148,147	
Acting Deputy Chief Constable - 1/2/16 to 31/3/16	22,821		0		1,246		24,067	4,654	28,721	
Acting ACC - Crime and Criminal Justice - 1/4/15 to 3/5/15	10,483		0		21		10,504	1,607	12,111	
Assistant Chief Constable - Crime and Criminal Justice - 4/5/15 to 31/3/16	105,400		0		219		105,619	19,638	125,257	
Acting ACC - Crime and Criminal Justice - 1/4/15 to 3/5/15	8,718		0		21		8,739	1,585	10,324	2
Assistant Chief Constable - Territorial Operations - 1/4/15 to 31/1/16	99,165		0		6,357		105,522	19,262	124,784	
Acting Assistant Chief Constable - Joint Operations - 1/1/16 to 31/3/16	25,275		0		975		26,250	4,380	30,630	
Assistant Chief Officer - Business and Resources	110,725		0		0		110,725	12,951	123,676	
	<b>680,645</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,945</b>	<b>0</b>	<b>694,590</b>	<b>121,355</b>	<b>815,945</b>	<b>1</b>
<p>Note 1: The Chief Finance Officer for Hampshire Constabulary is 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 £77,787 (This figure includes all Employer Oncosts)</p> <p>Note 2. Providing cover during a period of extended absence.</p>										

## Notes to the core financial statements

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
	£	£	£	£	£	£	£	£	£	
<b>Constabulary</b>										
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	
	<b>673,567</b>	<b>0</b>	<b>11,757</b>	<b>0</b>	<b>13,691</b>	<b>0</b>	<b>699,015</b>	<b>127,435</b>	<b>826,450</b>	1

**Note 1:** 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)

## Notes to the core financial statements

### Exit Packages in Bands of £20,000

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	11	6	7	21	18	27	140	264
£20,001 - £40,000	0	1	0	1	0	2	0	65
£40,001 - £60,000	0	0	0	1	0	1	0	43
£60,001 - £80,000	0	0	0	1	0	1	0	78
Additional provision in the Comprehensive Income and Expenditure Statement	13	1	6	1	19	2	155	45
Reversal of previous year's provision (included in bandings in following year when payments due)	(22)	(13)	(7)	(6)	(29)	(19)	(149)	(155)
<b>Totals</b>	<b>2</b>	<b>(5)</b>	<b>6</b>	<b>19</b>	<b>8</b>	<b>14</b>	<b>146</b>	<b>340</b>

The Comprehensive Income and Expenditure Statement includes a provision of £45,000 which has been agreed and is payable to 2 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 £174k in 2015/16 (£7k in 2014/15).

## 12 – Termination Benefits

The Commissioner terminated the contracts of a number of employees in 2015/16, incurring liabilities of £0.340m (£0.146m in 2014/15). See note 11 for the number of exit packages and total cost per band.

## Notes to the core financial statements

### 13 – Grant Income – Group

Most of the taxation and non-specific grant income is credited to the Commissioner's CIES, 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:-

2014/15	2014/15		2015/16	2015/16
PCC	CC		PCC	CC
£'000	£'000		£'000	£'000
		<b>Credited to Taxation and Non-Specific Grant Income</b>		
(100,028)	0	Council Tax Precept	(103,568)	0
(65,551)	0	Formula funding	(63,501)	0
(128,570)	0	Police Grant	(120,701)	0
(12,944)	0	Council tax legacy grant	(12,944)	0
(3,521)	0	Government Grant to Finance Capital Expenditure	(4,329)	0
<b>(310,614)</b>	<b>0</b>	<b>Total</b>	<b>(305,043)</b>	<b>0</b>
		<b>Credited to Services</b>		
0	(3,343)	Dedicated Security Posts grant	0	(3,007)
0	(4,046)	ACPO Criminal Records Office	0	(7,083)
(1,242)	0	Restorative Justice/Victims Support grant	(2,272)	0
0	(538)	Disclosure and Barring Service funding	0	(536)
0	(363)	FOI Central Referral Unit	0	(400)
0	(54)	National football policing unit	0	0
0	(104)	Prevent grant	0	(96)
0	(64)	NHS Medical in custody grant	0	0
0	(158)	Other Home Office Grants	0	(169)
0	(142)	Regional organised crime unit set up funding	0	0
0	0	NATO special operations grant	0	(821)
0	(1,953)	Innovation Fund	0	(2,834)
0	(29)	Local Criminal Justice Board	0	(12)
0	(969)	Miscellaneous grants	0	(437)
<b>(1,242)</b>	<b>(11,763)</b>	<b>Total</b>	<b>(2,272)</b>	<b>(15,395)</b>

## Notes to the core financial statements

### 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 in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

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. These are presented below:

2015/16	Usable Reserves					Movement In Unusable Reserves
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	158,050					(158,050)
Employer's pensions contributions and direct payments to pensioners payable in the year	(42,462)					42,462
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
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	277					(277)
<b>Total Adjustments</b>	115,865	0	0	0	0	(115,865)

## Notes to the core financial statements

2014/15	Usable Reserves					Movement In Unusable Reserves
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Pensions Reserve:</b>						
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
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
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
<b>Total Adjustments</b>	122,576	0	0	0	0	(122,576)

### 15 – Other operating income/expenditure

2014/15		2015/16
£'000		£'000
(40,159)	Home Office Police Pension Fund Top-up Grant	(54,288)
40,159	Transfer of Home Office Grant to the Police Pension Fund	54,288
0		0

### 16 – Financing and investment income and expenditure

2014/15		2015/16
£'000		£'000
111,990	Pensions interest cost and expected return on pension assets	95,700
111,990		95,700



## Notes to the core financial statements

### 17 – Short-term creditors

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.

31 March 2015 £'000				31 March 2016 £'000
3,793	Other entities and individuals			4,070
<b>3,793</b>	<b>Total</b>			<b>4,070</b>

### 18 – Unusable Reserves

31 March 2015 £'000		31 March 2016 £'000
(3,793)	Accumulated Absences Account	(4,070)
(3,034,478)	Pensions Reserve	(2,771,687)
<b>(3,038,271)</b>		<b>(2,775,757)</b>

#### 18.1 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.

2014/15 £'000		2015/16 £'000	2015/16 £'000
(4,507)	<b>Balance at start of year</b>		(3,793)
4,507	Settlement or cancellation of accrual made at the end of the preceding year	3,793	
(3,793)	Amounts accrued at the end of the current year	(4,070)	
714	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		(277)
<b>(3,793)</b>	<b>Balance at end of year</b>		<b>(4,070)</b>

## Notes to the core financial statements

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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 2015/16, this was an increase of £0.277m (A decrease of £0.714m in 2014/15).

### 18.2 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.

2014/15 £'000		2015/16 £'000
<b>(2,651,217)</b>	<b>Balance at start of year</b>	<b>(3,034,477)</b>
(259,970)	Actuarial gains/(losses) on pensions assets and liabilities	378,378
(167,040)	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	(158,050)
43,750	Employer's pension contributions and direct payments to pensioners payable in the year	42,462
<b>(3,034,477)</b>	<b>Balance at end of year</b>	<b>(2,771,687)</b>

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## Notes to the core financial statements

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### 19 – Audit costs

The Chief Constable 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 Chief Constable's external auditors:-

2014/15 £'000								2015/16 £'000
	<b>Chief Constable:</b>							
(6.0)	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							0.0
25.0	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year							22.1
0.0	Other services provided by EY							0.0
19.0								22.1

Ernst & Young LLP were appointed to audit the accounts of the Chief Constable for Hampshire for five years starting with the accounts for 2012/13.

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### 20 – Contingent liabilities

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.

The Chief Constable, along with other Chief Constables and the Home Office, currently has 9 claims lodged against her with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

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 2015/16.

### 21 – Events after the reporting period

The draft Statement of Accounts was authorised for issue by the Chief Finance Officer on 7 September 2016. 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 2016, 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 key event after the reporting period: thus, a referendum to establish if the United Kingdom would remain part of the European Union (EU) took place on the 23<sup>rd</sup> June 2016. The outcome of the referendum was a decision to leave the EU (Brexit), and this has in the short term increased political and economic uncertainty.

This decision has the potential to impact the Constabulary's finances and the estimates and assumptions which impact on the accounts. However, It is too early to predict the impact on the financial statements, as the long term effects are still uncertain, and there is likely to be significant ongoing uncertainty for some time. The Chief Constable will continue to review the impact in the coming months, including announcements in the Chancellor's Autumn Statement.

For the purposes of these financial statements, the Referendum outcome is considered a non adjusting event.

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### 22 – 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 Chief Constable's activities:

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

## Notes to the core financial statements

### 23 – Notes to the cash flow statement 2015/16

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

2014/15 £'000		2015/16 £'000
122,576	Net (surplus) or deficit on the provision of services	115,865
(122,576)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(115,865)
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

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

2014/15 £'000		2015/16 £'000
(122,576)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(115,865)
	Analysis:-	
(123,290)	- Pensions	(115,588)
714	- (Increase)/Decrease in Creditors	(277)
(122,576)		(115,865)

## Police Pension Fund Account

2014/15 £'000	Police Pension Fund Account	2015/16 £'000
	<b>Contributions receivable</b>	
	- from employer	
(26,754)	- normal	(25,263)
0	- early retirements	
(3,482)	- ill-health capital equivalent charges	(2,807)
(15,308)	- from members	(14,424)
	<b>Transfers in</b>	
(270)	- individual transfers in from other schemes	(819)
	<b>Benefits payable</b>	
68,338	- pensions	71,113
16,159	- commutations and lump sum retirement benefits	25,737
79	- lump sum death benefits	111
	<b>Payments to and on account of leavers</b>	
9	- refunds of contributions	3
1,386	- individual transfers out to other schemes	637
<b>40,159</b>	<b>Net amount payable for the year</b>	<b>54,288</b>
(40,159)	<b>Additional contribution from the Commissioner</b>	(54,288)
0		0
	<b>2014/15 Net Assets Statement</b>	<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
	<b>Current Assets</b>	
0	- contributions due from employer	0
0	- other current assets	0
	<b>Current Liabilities</b>	
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 £1.88m in 2015/16. 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

## Police Pension Fund Account

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grant and the cash being transferred between the Commissioner and Pension Fund bank accounts on a regular basis.

The Scheme Manager of the Police Pension Fund is the Chief Constable. The administration of the fund is carried out by the County Council as part of the H3 joint working arrangements. 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.

A Police Pensions Board was introduced in April 2015 in accordance with the Public Services Pensions Act 2013. The Board is chaired by the Chief Constable's Chief Finance Officer and has equal membership from the employer and employee side.

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 make the following contributions:-

- 1987 Scheme 14.25%-15.05%
- 2006 Scheme 11.00%-12.75%
- 2015 Scheme 12.44%-13.78%

The employer made a contribution of 24.2% of pensionable salary and benefits in 2015/16, which is made up of an actuarially-assessed contribution of 21.3% plus an additional employer contribution of 3.1%.

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.

## Glossary

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### Agency Services

Services which are performed by or for another Chief Constable 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 Chief Constable 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 Chief Constable 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.



## Glossary

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### 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 Chief Constable 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 Chief Constable, but are ring-fenced for spending in specific areas.

### Minimum Revenue Provision (MRP)

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

### Precept

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

### Revaluation Reserve

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

### Revenue Contributions to Capital Outlay (RCCO)

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

### Revenue Expenditure

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

### Reserves

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