Hampshire Police and Crime Commissioner

Statement of Accounts 2015/16

Contents

Introduction

The Statement of Accounts sets out the overall financial position of the Police and Crime Commissioner for Hampshire and the Group Accounts for the year ending 31 March 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 statement provides an explanation and overview of the financial performance and activities during 2015/16.

The Police and Crime Commissioner

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

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

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

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

The PCP has a range of powers and responsibilities including:

- To review the draft Police and Crime Plan
- To publicly scrutinise the Commissioner's Annual Report
- To review and scrutinise decisions and actions of the Commissioner
- To review and have the power to veto the Commissioner's proposed Council Tax precept levels

- To review the Commissioner's Conduct – the PCP can suspend the Commissioner if he is charged with a 2-year imprisonable offence and report to the Independent Police Complaints Commission, however they cannot remove the Commissioner
- To confirm the Chief Constable's appointment
- To appoint an acting Commissioner, if required

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

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

The Police and Crime Plan was published in March 2013 to cover the period 2013-17. The plan was updated in November 2015. This plan 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 or full version on his website at www.hampshire-pcc.gov.uk. The vision of the Commissioner is to make Hampshire and the Isle of Wight even safer by improving community safety, cutting crime and reducing re-offending and his priorities are to:-

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

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

Statement of Accounts

The Police Reform and Social Responsibility Act 2011 established the Police and Crime Commissioner and the Chief Constable as separate entities (known as 'corporations sole'). As separate bodies, both the Commissioner and the Chief Constable are required to appoint their own Chief Finance Officers, each with statutory responsibilities, as being the person responsible for proper financial administration under the provisions of the Act. A consequence is also that each body is required to be subject to audit under the Local Audit and Accountability Act 2014 and are thus required to prepare a set of accounts. Additionally, the Commissioner, with his ultimate control over the Chief Constable's resources, has to prepare group accounts.

The Home Office has produced an updated Financial Management Code of Practice (FMCP) which sets out the responsibilities of the respective Chief Finance Officers. This came into effect on 1 November 2013 and is available on the following link: Financial management code of practice

The FMCP aims to provide "clarity around the financial governance arrangements within the police in England and Wales, and reflects the fact that the police has a key statutory duty to secure value for money in the use of public funds. It provides high level guidance to help ensure effective and constructive relationships in all financial matters. The FMCP sets the tone while promoting flexibility and avoiding overt prescription so that the detail of arrangements can be worked out locally."

The Police and Crime Commissioner's and the Group Statements of Accounts for 2015/16 consist of the:

Relationship between Accounting Statements

The different accounting statements are linked in several important ways. The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Commissioner, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Commissioner's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

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

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

Significant changes in accounting policies

These accounts include the impact of the IFRS13 *Fair Value Measurement* accounting standard on a prospective basis. There are some changes in the presentation of the financial instruments disclosures, albeit the way in which these are recorded on the balance sheet is largely unchanged, and surplus and held for sale property, plant and equipment assets were revalued on a fair value basis. There was no material impact arising from the implementation of this standard.

Underlying accounting principles

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

a) Understandability

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

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

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

b) Relevance

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

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

c) Reliability

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

- Can be depended upon to represent faithfully what it either purports to represent or could reasonably be expected to represent and therefore reflects the substance of the transactions and other events that have taken place;
- Is free from bias (i.e. it is neutral);
- Is free from material error;
- Is complete within the bounds of materiality and cost; and

- Under conditions of uncertainty, it has been prudently prepared (i.e. a degree of caution has been applied in exercising judgement and making the necessary estimates).

d) Comparability

Comparability (i.e. the ability to compare the Group's performance between financial years and with other organisations), is an important mechanism for ensuring the usefulness of financial information (and is an essential 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 (2015) Statement of Recommended Practice and the Service Reporting Code of Practice is the way in which the Commissioner has ensured consistency of financial information in the financial statements leading to comparability.

Review of the year

Financial Overview (including economic climate)

In February 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.

Borrowing

The Prudential Code allows the Commissioner to borrow money as long as it is prudent, affordable and sustainable. In accordance with its borrowing strategy for 2015/16 the Commissioner did not take out any new loans and financed capital expenditure incurred during the year through a use of capital grant, capital receipts, earmarked reserves and internal borrowing through the use of cash balances. Some of the existing borrowing at the start of the financial year was repaid using resources set aside for such purposes.

As a result, at the year end the Commissioner had a total of £34.236m of outstanding PWLB loans at actual interest rates ranging between 2.19% and 8.5% and a weighted average overall rate of 4.06%. Of the total outstanding debt, £1.214m of principal is repayable in 2016/17 and is classified as a current liability in the accounts.

Investment

The Commissioner has an investment portfolio consisting of reserves and short-term cash flows (including on-call cash investments). We continue to invest according to a low risk, high quality lending list as outlined in the Investment Strategy for 2015/16. Cash balances reached an average of £87.6m during the year and this generated interest of £0.756m, which was a small increase over the £0.709m achieved in 14/15, with the average yield being maintained at around 0.8% to 0.9%. At 31 March 2016 the investment holding stood at £72.1m.

During 2015/16, the Bank of England again maintained the base rate of interest at 0.5%, which has been held since March 2009. This benefits the Commissioner in that he is able to borrow to finance the capital programme at very low rates. However, the downside – allied to the Bank of England's quantitative easing programme which injected significant amounts of cash into the financial markets – means that the rates of return on interest received on surplus cash balances, which are credited to the income and expenditure account, and which helps to reduce the burden on the council tax payer, are historically low.

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.

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 Transformation Reserve is providing funding for the cost of changing the Force structures, systems and processes to ensure high quality service delivery and performance with reduced budgets.   However budget pressures and the timing of the delivery of the required savings cannot always be predicted with accuracy. In the light of this, a new Risk Reserve was set up as a contingency to support the base budget and the Transformation Reserve for temporary shortfalls. The balance on the Risk Reserve was unchanged at £7.662m at the end of the financial year as the Commissioner continued to deliver efficiencies and to underspend on the revenue budget. The balance on the Transformation Reserve stood at £27.667m at 31 March 2015 (£33.685m at 31 March 2015). Total usable reserves were £86.98m at 31 March 2016 (£84.29m at 31 March 2015).

The Commissioning Reserve (formerly known as the Protecting People and Places Reserve) is held to provide grant funding to third parties who undertake activities and projects which support the priorities in the Police and Crime Plan. This reserve was established in 2013/14, following a one-off contribution of £2.001m to the OPCC’s budget, and is a large part of the funding available to support the objectives of the PCC’s Commissioning Plan 2013/17: other elements of the funding are the Community Safety Fund and the Victims Support Services Grant. The Commissioning Reserve stood at £0.962m at 31 March 2016 (£1.703m at 31 March 2015).

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.

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

Material Assets Acquired or Liabilities Incurred

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

Unusual Charges or Credits within the accounts

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.

The net book value of property, plant and equipment assets increased by £42.15m in the year. This was the result of a revaluation of some of the larger operational sites, in accordance with the policy of revaluing assets on a regular basis, which was a net increase of £22.5m, an increase in value of a surplus property, which was revalued on a fair value basis (£7.8m increase) and capital expenditure of £18.2m. There were some disposals and reclassifications which accounted for the net movement.

Significant Provisions or Contingencies

As a result of the adoption of International Financial Reporting Standards (IFRS), the Commissioner is required to accrue for any annual leave, flexitime and time off in lieu which had been earned but not taken at 31 March each year. The amount accrued at 31 March 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 23rd 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 PCC's and Group'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 PCC 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 Constable having direct responsibility for the provision of ICT and information management assurance for both Forces. A Joint Operations Unit has also been created using another Section 23 agreement with Thames Valley Police Commissioner allowing strategic operations, roads policing and dogs units, to be done in collaboration between the two forces across departmental and geographical boundaries.

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 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);
- 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 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. However finance is only required for the police pensions when the amounts are actually paid.

Revenue Expenditure

In 2015/16, the reported outturn position, 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

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

The subjective analysis shows net contributions to reserves of £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.

Subjective Analysis

	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
Expenditure:					
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)
Total expenditure	316,975	20,604	337,579	149,807	487,386
Income:					
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)
Total income	(41,028)	(2,575)	(43,603)	(324,947)	(368,550)
Contributions to/(from) reserves	2,738	0	2,738	(2,738)	0
Net expenditure/(income)	278,685	18,029	296,714	(177,878)	118,836

Capital Expenditure

Capital expenditure is incurred on the acquisition and enhancement of the Commissioner's assets which have a life of more than one year. The PCC approved a Capital Programme of £49.3m for 2015/16 in February 2015, including costs for the first phase of the Estates Change Programme (ECP). However, it was recognised that much of the ECP needed the development and approval of full business cases before resources could be committed.

The capital programme was updated and revised in the year to reflect commitments carried forward, slippage from 2014/15 and a rephasing of commitments generally. The programme was revised to £37.6m. Total expenditure in 2015/16 was £22.3m. Of this, £18.5m of capital expenditure was on property, plant and equipment with the balance (£3.76m) being expended on premises which the Commissioner does not own but is occupied by his staff and officers under joint-working arrangements, including the joint police and fire strategic headquarters at Eastleigh. The actual expenditure was funded mainly from general and specific government capital grants (including Home Office Innovation Fund grant to fund the joint strategic police and fire headquarters) and capital receipts from the disposal of surplus properties (part of the ECP).

An underspend of £15.3m, against the revised capital programme, was due in the main to slippage on the ECP (£3.9m underspend), the ICT 5-year plan (£2.6m underspend) and the vehicle replacement programme (£5.1m underspend).

With sources of internal and external financing covering only some of the expenditure on assets in the year, there was an increase in the underlying need to borrow as at the end of the year. However, most of the additional expenditure was related to the ECP and that programme anticipates a number of capital receipts in the near future. Consequently, any increase in the underlying need to borrow is largely temporary. In the short-term, financing needs are met from internal resources but if there is a need for external financing, this is expected to be of a short-term nature, in accordance with the treasury management strategy.

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

2014/15 £m			2015/16 £m
		Expenditure:	
6.4		Land & Buildings	18.2
2.6		Vehicles (Including Boats) and Plant	1.0
2.4		IT & Operational Equipment	3.1
11.4		**Total**	**22.3**
		Funded by:	
(3.5)		Government Grant	(4.0)
(4.0)		Capital Receipts	(6.3)
0.0		Donated Assets	(0.4)
(1.8)		Revenue Contributions	(5.0)
(2.1)		Borrowing (incl. Internal)	(6.6)
(11.4)		**Total**	**(22.3)**

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 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.

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

The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

Certification of Accounts

The Chief Finance Officer's Statement

I certify that the Statement of Accounts for 2015/16 give a true and fair view of the financial position of the Commissioner and the group at 31 March 2016 and its income and expenditure for the year then ended

Signed:

Date:

Opinion on the Police and Crime Commissioner for Hampshire's financial statements

To follow, with the publication of the audited statement of accounts.

To follow at the conclusion of the audit

To follow at the conclusion of the audit

1. SCOPE OF RESPONSIBILITIES

1.1 The Police and Crime Commissioner (the Commissioner) is responsible for ensuring that his business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Commissioner is the recipient of all funding related to policing and crime reduction and all funding for the Constabulary must come through the Commissioner. The Commissioner is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. The Commissioner also has responsibility for maintaining an efficient and effective police force and holding the Chief Constable to account for the Constabulary's performance.

1.2 The Commissioner has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. A copy of the Code, recognised as setting out best practice in corporate governance can be obtained from the Chief Finance Officer.

1.3 This statement explains how the Commissioner has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations, which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, and culture and values by which the Commissioner is directed and controlled, exercises oversight and its activities through which it accounts to and engages with the public. It enables the Commissioner to monitor the achievement of his strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.2 The system of internal control is a significant part of that framework and is designed to be clear on the significant risks faced by the Office of the Police and Crime Commissioner and manage its own risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place for the year ended 31 March 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 Commissioner has in place. In November 2012, as a result of the Police Reform and Social Responsibility Act 2011, the Police Authority was replaced by the Police and Crime Commissioner for Hampshire. It also created the Chief Constable as a separate legal entity. The Police Reform and Social Responsibility Act 2011 and Financial Code of Management set out the statutory posts and their respective responsibilities. The Police and Crime Commissioner is responsible for holding the Chief Constable to account for performance and value for money.

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

3.3 Regular one to one meetings are held between the Police and Crime Commissioner and Chief Constable. There is a monthly Office of the Police and Crime Commissioner (OPCC) Leadership meeting involving the Commissioner, Deputy and Assistant Commissioners, Chief Executive, Director of Estate Strategy and CFO for the Commissioner, which considers strategic issues, planning and delivery monitoring. The performance of the Constabulary is reviewed at monthly Force Performance Group meetings, which includes a representative from the Office of the Police and Crime Commissioner. The Commissioner also has a team within the office to assist oversight of the Constabulary's performance and has regular scrutiny sessions which are open to the public and published on the PCC's website. Performance is also reviewed by inspection agencies including Her Majesty's Inspectorate of Constabulary (HMIC), external audit, internal audit, the Health & Safety Executive, other statutory agencies and volunteer schemes such as custody visitors.

3.4 The HMIC, external audit and internal audit all specifically report on value for money. Outcomes from these inspections are summarised for the independent Joint Audit Committee. The annual review of effectiveness required under the Accounts and Audit (England) Regulations is reported to the Joint Audit Committee.

3.5 Operations, ICT and Information Management are the subject of collaboration arrangements between Hampshire and Thames Valley. The formal governance framework and performance accountability of the collaborated Operations, ICT and Information Management units were agreed by the Commissioners for Hampshire and Thames Valley, as well as the collaboration business plan 2014-16. This Collaboration Board oversees the development of ICT, Digital Policing Programme, 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 represents serious organised crime at the Regional Governance Board and nationally with the National Crime Agency and other key stakeholders.

3.6 In 2014/15, the financial and human resources records for the Office of the Police and Crime Commissioner were migrated to the SAP solution used by the Shared Service partnership that provides corporate support functions, including internal audit services to Hampshire County Council, Hampshire Constabulary and Hampshire Fire and Rescue Service. This is the first partnership of this type in the UK. Support has been received from the Home Office for this initiative. The Police and Crime Commissioner is not a partner as the Chief Constable has signed the agreement under delegated authority. H3 is governed through meetings of the Strategic Partnerships Board, comprising of the Chief Constable, Chief Executive of Hampshire County Council and Chief Officer of Hampshire Fire and Rescue Service.

3.7 It should be noted that savings of £80m have been delivered since austerity measures were introduced in 2010/11. Therefore, the governance framework has to be able to manage significant changes in organisational structure, systems and processes in order to undertake the necessary changes.

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

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

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

b. the Police and Crime Plan was refreshed to ensure that it remained relevant after further consultation with stakeholders. The arrangements for governance have been reviewed by the Police and Crime Commissioner and updated to reflect changes in structure with the introduction of new posts within the Office of the Police and Crime Commissioner for Estates, Commissioning, Communications and Performance. During 2013/14, the Commissioner appointed a Deputy and two further Assistant Commissioners. These additions increased the size of the Leadership team and allowed more focus on delivering the priorities set out in the Police and Crime Plan. The Chief Executive role continues to be carried out by the Head of Legal Services at Hampshire County Council, who has provided legal advice to the Commissioner since the inception of the Office of the Police and Crime Commissioner. The continuation of this arrangement was confirmed by unanimous approval of the Police and Crime Panel following a statutory confirmation hearing in January 2015.

c. the Police and Crime Plan sets the priorities for the Office of the Police and Crime Commissioner. These translate into policing commitments to be delivered by the Constabulary.

d. the Head of Performance monitors performance against all priorities including those delivered via the Constabulary and other partners. Performance targets delivered via the Constabulary are monitored monthly at the Force Performance Group. The Constabulary has developed its "21 Commitments" in support of the Police and Crime Plan priorities, and progress against these commitments is the subject of review at quarterly "Progress 21" meetings between the Commissioner and Chief Constable. Members of the public can look at the Crime Reports tool on the useful links section of the website to see how crime, incidents and anti-social behaviour is being dealt with in their area. The Head of Commissioning also assists in ensuring that partners deliver the performance promised through commissioned services. The Commissioner's Annual Report published on the website reviews performance against the priorities. The HMIC publishes on its website a value for money study that the Constabulary uses to assess to identify any potential improvements which the Commissioner takes account of in monitoring overall performance. The Chief Finance Officer has a statutory duty to ensure value for money, so all payments are considered for the value for money they represent.

e. roles and responsibilities are documented in law (e.g. Police Reform and Social Responsibility Act 2011), in the Code of Corporate Governance and in role profiles for executive, non-executive and officer functions. The Scheme of Delegation and decision log sets out delegated powers.

f. codes of conduct are in place for all officers and staff as set out in the Code of Corporate Governance. Personnel sign up to the codes of conduct on commencement of their role.

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

h. the Director of Estate Strategy has designed a revised framework for risk management for the OPCC. A new strategy and register was introduced in 2014/15 to improve the approach to risk management.

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

j. the HC2020 Programme oversees a number of programmes and boards who are delivering change and transformation. The Estates Change Programme works closely with the HC2020 Programme, but because Estate is owned by the Police and Crime Commissioner, the Commissioner can make decisions in relation to the Estate. There is an Estates Change Programme Board which includes the Constabulary's Assistant Chief Officer and CFO to ensure that any decisions proposed for the Estate meet the needs of the Constabulary in a cost effective manner. Ultimately, all strategic changes require a formal decision from the Commissioner, which is published on the website.

k. the Chief Finance Officer ensures that the financial management arrangements conform to the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010). The Chief Finance Officer discharges the s151 responsibilities and is a member of the OPCC Leadership Group. Financial Regulations, Standing Orders on Contracts and a Scheme of Delegation are in place.

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

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

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

o. the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities* were discharged by the Joint Audit Committee during 2015/16. The terms of reference for the Joint Audit Committee were determined by the Police and Crime Commissioner and follow recent guidance from CIPFA specifically tailored for Police Joint Audit Committees. The terms of reference will be subject to annual review.

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

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

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

s. the OPCC and Constabulary have a joint approach to communication and consultation, using a variety of consultation survey methods to communicate with all sections of the community. The most notable exercise was an independently facilitated consultation event in January 2016 that sought views from a specially selected group of people, who reflect the diverse people served by the Office of the Police and Crime Commissioner. The event took views on council tax levels and updating the Police and Crime Plan. An online survey was also used to gather more views from more stakeholders on council tax. Communication also takes place through public meetings, leaflets, media statements, website and social media. The communication strategy takes into account target markets so additional effort is made to communicate with hard to reach groups.

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

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

4. REVIEW OF EFFECTIVENESS

4.1 The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Leadership Group within the OPCC who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The Commissioner completes a matrix produced by CIPFA in order to review detailed aspects of governance arrangements in order to identify potential weaknesses. This takes into account findings from inspection agencies but in particular annual opinions from auditors.

4.3 The Joint Audit Committee gives independent advice to the Commissioner on audit, risk and governance issues throughout the financial year. The Joint Audit Committee also ensures that the review of effectiveness is a review of group activities of both the OPCC and the Constabulary due to the significant level of group activities.

4.4 I have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Audit Committee. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 A comprehensive 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.

5.2 The Joint Audit Committee met for the first time in May 2013. Terms of reference were set out at that meeting but were subsequently reviewed in line with CIPFA guidance specifically for Police Joint Audit Committees. These will be subject to annual review. Following discussions it was agreed that further work should be undertaken on the Committee's Annual Report and Review of Effectiveness.

5.3 The Constabulary has a shared ICT function for which Thames Valley Police is the lead partner. During 2015/16, the Interim Head of ICT left Thames Valley Police whilst under investigation by another police force. A full review of activity undertaken whilst in the post is underway to assess whether there may be any issues for Hampshire Constabulary or Thames Valley Police. The Commissioner will ensure that satisfactory programme governance arrangements are in place.

5.4 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. The Chief Constable, rather than the Commissioner, is the signatory for the Shared Service functions and sits on the governance board. The Commissioner will scrutinise the improvements made in order to ensure that value for money is achieved and robust systems are in place as the Officer of the Police and Crime Commissioner use the systems and processes provided.

5.5 The Commissioner proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Police and Crime Commissioner

Signed by:

Police and Crime Commissioner

Chief Finance Officer

Movement in Reserves Statement - Group

This statement shows the movement in the year on the different reserves held by the Commissioner and Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Commissioner's and Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax (precept) setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Commissioner and Group.

Movement in Reserves Statement - Group

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves	*Note*
Note		*15*		*16*			*32*		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 1 April 2014	**15,966**	**56,464**	**1,070**	**990**	**0**	**74,490**	**(2,544,450)**	**(2,469,960)**	
Movements during 2014/15									
Surplus or (deficit) on the provision of services	(111,950)	0	0	0	0	(111,950)	0	(111,950)	
Other Comprehensive Income and (Expenditure)	0	0	0	0	0	0	(259,734)	(259,734)	
Total Comprehensive Income and Expenditure	(111,950)	0	0	0	0	(111,950)	(259,734)	(371,684)	
Adjustments between accounting basis & funding basis under regulations	123,388	0	(1,070)	(568)	0	121,750	(121,750)	0	*14*
Net Increase/(Decrease) before Transfers to Earmarked Reserves	11,438	0	(1,070)	(568)	0	9,800	(381,484)	(371,684)	
Transfers to/from earmarked reserves	(8,723)	8,723	0	0	0	0	0	0	*15*
Increase/(Decrease) in year	**2,715**	**8,723**	**(1,070)**	**(568)**	**0**	**9,800**	**(381,484)**	**(371,684)**	
Balance at 31 March 2015	**18,681**	**65,187**	**0**	**422**	**0**	**84,290**	**(2,925,935)**	**(2,841,645)**	
Movements during 2015/16									
Surplus or (deficit) on the provision of services	(118,836)	0	0	0	0	(118,836)	0	(118,836)	
Other comprehensive income and (expenditure)	0	0	0	0	0	0	419,855	419,855	
Total Comprehensive Income and Expenditure	(118,836)	0	0	0	0	(118,836)	419,855	301,019	
Adjustments between accounting basis & funding basis under regulations	118,900	0	0	2,624	0	121,524	(121,524)	0	*14*
Net Increase/(Decrease) before Transfers to Earmarked Reserves	64	0	0	2,624	0	2,688	298,331	301,019	
Transfers to/from earmarked reserves	(1,232)	1,232	0	0	0	0	0	0	*15*
Increase/(Decrease) in Year	**(1,168)**	**1,232**	**0**	**2,624**	**0**	**2,688**	**298,331**	**301,019**	
Balance at 31 March 2016	**17,513**	**66,419**	**0**	**3,046**	**0**	**86,978**	**(2,627,603)**	**(2,540,625)**	

Movement in Reserves Statement - PCC

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	*Note*
Note		*15*		*16*			*32*		
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Balance at 1 April 2014	**15,966**	**56,464**	**1,070**	**990**	**0**	**74,490**	**111,274**	**185,764**	
Movements during 2014/15									
Surplus or (deficit) on the provision of services	10,626	0	0	0	0	10,626	0	10,626	
Other Comprehensive Income and (Expenditure)	0	0	0	0	0	0	236	236	
Total Comprehensive Income and Expenditure	10,626	0	0	0	0	10,626	236	10,862	
Adjustments between accounting basis & funding basis under regulations	812	0	(1,070)	(568)	0	(826)	826	0	*14*
Net Increase/(Decrease) before Transfers to Earmarked Reserves	11,438	0	(1,070)	(568)	0	9,800	1,062	10,862	
Transfers to/from earmarked reserves	(8,723)	8,723	0	0	0	0	0	0	*15*
Increase/(Decrease) in year	**2,715**	**8,723**	**(1,070)**	**(568)**	**0**	**9,800**	**1,062**	**10,862**	
Balance at 31 March 2015	**18,681**	**65,187**	**0**	**422**	**0**	**84,290**	**112,336**	**196,626**	
Movements during 2015/16									
Surplus or (deficit) on the provision of services	(2,971)	0	0	0	0	(2,971)	0	(2,971)	
Other comprehensive income and (expenditure)	0	0	0	0	0	0	41,477	41,477	
Total Comprehensive Income and Expenditure	(2,971)	0	0	0	0	(2,971)	41,477	38,506	
Adjustments between accounting basis & funding basis under regulations	3,035	0	0	2,624	0	5,659	(5,659)	0	*14*
Net Increase/(Decrease) before Transfers to Earmarked Reserves	64	0	0	2,624	0	2,688	35,818	38,506	
Transfers to/from earmarked reserves	(1,232)	1,232				0		0	*15*
Increase/(Decrease) in Year	**(1,168)**	**1,232**	**0**	**2,624**	**0**	**2,688**	**35,818**	**38,506**	
Balance at 31 March 2016	**17,513**	**66,419**	**0**	**3,046**	**0**	**86,978**	**148,154**	**235,132**	

Comprehensive Income and Expenditure Statement - Group

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

2014/15				2015/16			*Note*
Group CIES				**Group CIES**			
Net Expenditure	**Gross Expenditure**	**Gross Income**		**Net Expenditure**	**Gross Expenditure**	**Gross Income**	
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	
123,893	128,718	(4,825)	Local policing	118,714	121,234	(2,520)	
31,506	31,824	(318)	Dealing with the public	26,561	26,936	(375)	
31,592	33,568	(1,976)	Criminal justice arrangements	27,108	29,320	(2,212)	
11,592	17,507	(5,915)	Roads policing	11,183	18,530	(7,347)	
13,978	17,629	(3,651)	Operational support	14,716	19,386	(4,670)	
15,227	15,849	(622)	Intelligence	20,096	20,528	(432)	
70,767	73,418	(2,651)	Investigation	82,721	85,291	(2,570)	
13,253	13,393	(140)	Investigative support	12,229	12,401	(172)	
(5,363)	29,425	(34,788)	National policing	(5,390)	37,064	(42,454)	
1,822	1,823	(1)	Corporate and democratic core	1,569	1,569	0	*9*
339	339	0	Non distributed costs	15,895	15,895	0	
308,606	**363,493**	**(54,887)**	**Net Cost of Police Services**	**325,402**	**388,154**	**(62,752)**	
1,183			Other operating (income) and expenditure	2,075			*17*
112,775			Financing and investment income and expenditure	96,402			*18*
(310,614)			Taxation and non specific grant income	(305,043)			*13*
111,950			**(Surplus) / Deficit on Provision of Services**	**118,836**			
(216)			(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	(41,508)			*32.5*
(20)			(Surplus) / deficit on revaluation of available for sale financial assets	31			
(18,890)			Return on plan assets	4,280			*8*
278,860			Actuarial (gains) / losses on pension assets/liabilities	(382,658)			*8*
0			Any other (gains) / losses	0			
259,734			**Other Comprehensive Income and Expenditure**	**(419,855)**			
371,684			**Total Comprehensive Income and Expenditure**	**(301,019)**			

Comprehensive Income and Expenditure Statement – PCC

2014/15				2015/16			Note
Net Expenditure	Gross Expenditure	Gross Income		Net Expenditure	Gross Expenditure	Gross Income	
£'000	£'000	£'000		£'000	£'000	£'000	
7,683	7,817	(134)	Local policing	8,870	8,973	(103)	
1,953	1,962	(9)	Dealing with the public	1,960	1,975	(15)	
2,008	2,063	(55)	Criminal justice arrangements	2,028	2,119	(91)	
1,100	1,265	(165)	Roads policing	1,152	1,454	(302)	
1,103	1,205	(102)	Operational support	1,583	1,775	(192)	
995	1,012	(17)	Intelligence	1,477	1,495	(18)	
3,971	4,045	(74)	Investigation	6,062	6,167	(105)	
821	825	(4)	Investigative support	873	880	(7)	
884	1,853	(969)	National policing	917	2,660	(1,743)	
1,682	1,683	(1)	Corporate and democratic core	1,317	1,317	0	*9*
122	122	0	Non distributed costs	4,365	4,365	0	
22,322	**23,852**	**(1,530)**	**Net Cost of Police Services before funding**	**30,604**	**33,180**	**(2,576)**	
275,698	329,055	(53,357)	Intra-group funding	274,633	334,808	(60,175)	
298,020	**352,907**	**(54,887)**	Net Cost of Police Services	**305,237**	**367,988**	**(62,751)**	
1,183			Other operating (income) and expenditure	2,075			*17*
785			Financing and investment income and expenditure	702			*18*
(310,614)			Taxation and non specific grant income	(305,043)			*13*
(10,626)			**(Surplus) / Deficit on Provision of Services**	**2,971**			
(216)			(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	(41,508)			*32.5*
(20)			(Surplus) / deficit on revaluation of available for sale financial assets	31			
(236)			**Other Comprehensive Income and Expenditure**	**(41,477)**			
(10,862)			**Total Comprehensive Income and Expenditure**	**(38,506)**			

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

The net assets of the Group (assets less liabilities) are matched by the reserves held. Reserves are in two categories. The first category is 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 is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

31 March 2015		31 March 2016	Note
£'000		£'000	
153,178	Property, plant and equipment	195,332	19
11,370	Long term investments	19,112	25
653	Long term debtors	543	25
165,201	**Long Term Assets**	**214,987**	
51,632	Short term investments	33,753	25
2,099	Assets held for sale	1,540	21
1,508	Inventories	1,034	26
41,817	Short term debtors	39,457	27
18,584	Cash and cash equivalents	15,042	28
115,640	**Current Assets**	**90,826**	
(1,931)	Short term borrowing	(1,407)	25
(798)	Grants received in advance - revenue	(417)	13
(212)	Other short-term liabilities	(212)	
(49,824)	Short term creditors	(39,013)	29
(159)	Provisions	(45)	30
(52,924)	**Current Liabilities**	**(41,094)**	
(34,236)	Long term borrowing	(33,021)	25
(849)	Other long term liabilities	(636)	
(3,034,477)	Liability related to pension schemes	(2,771,687)	8
(3,069,562)	**Long Term Liabilities**	**(2,805,344)**	
(2,841,645)	**Net Assets/(Liabilities)**	**(2,540,625)**	
84,290	Usable reserves	86,978	*MiRS*
(2,925,935)	Unusable reserves	(2,627,603)	32
(2,841,645)	**Total Reserves**	**(2,540,625)**	

Signed:

31 March 2015		31 March 2016	Note
£'000		£'000	
153,178	Property, plant and equipment	195,332	19
11,370	Long term investments	19,112	25
653	Long term debtors	543	25
165,201	**Long Term Assets**	**214,987**	
51,632	Short term investments	33,753	25
2,099	Assets held for sale	1,540	21
1,508	Inventories	1,034	26
41,817	Short term debtors	39,457	27
18,584	Cash and cash equivalents	15,042	28
115,640	**Current Assets**	**90,826**	
(1,931)	Short term borrowing	(1,407)	25
(798)	Grants received in advance - revenue	(417)	13
(212)	Other short-term liabilities	(212)	
(46,031)	Short term creditors	(34,943)	29.2
(159)	Provisions	(45)	30
(49,131)	**Current Liabilities**	**(37,024)**	
(34,236)	Long term borrowing	(33,021)	25
(849)	Other long term liabilities	(636)	
(35,084)	**Long Term Liabilities**	**(33,657)**	
196,626	**Net Assets/(Liabilities)**	**235,132**	
84,290	Usable reserves	86,978	MiRS
112,336	Unusable reserves	148,154	32
196,626	**Total Reserves**	**235,132**	

Cash Flow Statement - Group

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

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

2014/15 £'000		2015/16 £'000	Note
111,950	Net (surplus) or deficit on the provision of services	118,836	CIES
(132,910)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(124,989)	38.1
5,674	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	9,803	38.2
(15,286)	Net cash flows from Operating Activities	3,650	
25,953	Investing Activities	(2,237)	38.3
2,728	Financing Activities	2,129	38.4
13,395	Net (increase) or decrease in cash and cash equivalents	3,542	
31,979	Cash and cash equivalents at the beginning of the reporting period	18,584	38.5
18,584	Cash and cash equivalents at the end of the reporting period	15,042	38.5

2014/15 £'000		2015/16 £'000	Note
(10,626)	Net (surplus) or deficit on the provision of services	2,971	CIES
(10,334)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(9,124)	39.1
5,674	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	9,803	39.2
(15,286)	Net cash flows from Operating Activities	3,650	
25,953	Investing Activities	(2,237)	39.3
2,728	Financing Activities	2,129	39.4
13,395	Net (increase) or decrease in cash and cash equivalents	3,542	
31,979	Cash and cash equivalents at the beginning of the reporting period	18,584	39.5
18,584	Cash and cash equivalents at the end of the reporting period	15,042	39.5

Index of Explanatory Notes to the Core Financial Statements

1 - Statement of Accounting Policies and Estimation Techniques

1.1 General Principles

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

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Commissioner transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Commissioner.
- Revenue from the provision of services is recognised when the Commissioner can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Commissioner.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

Where items for which an accrual might be justified in ordinary circumstances, but where these are ongoing and are regular, such as quarterly or monthly payments for utilities, the Commissioner takes a pragmatic approach and ensures that four quarters or twelve months are recorded in any one year where such payments or receipts are of relatively consistent amounts.

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

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

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

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

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

1.4 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible, non-current assets attributable to the service.

The Commissioner is not required to raise the council tax precept to fund depreciation, revaluation and impairment losses or amortisations. However, he is required to make an annual contribution from revenue towards the reduction in his overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Commissioner in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance – the

Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.5 Events After the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.6 Financial Instruments

1.6.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Commissioner has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

1.6.2 Financial Assets

Financial assets are classified into two types:

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

1.6.3 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Commissioner has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

1.7 Service Expenditure Analysis

The Service Reporting Code of Practice 2015/16 (i.e. 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.

1.8 Central Support

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

1.9 VAT

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

1.10 Precept Income

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

1.11 Specific Grants

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

1.12 Investments

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

1.13 Interest

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

1.14 Foreign Currency Translation

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

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

1.15 Debtors and Creditors

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

1.16 Government Grants and Contributions

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

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

Amounts recognised as due to the Commissioner are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

1.17 Employee Benefits

The Chief Constable employs the majority of staff who previously were under the employment of the Commissioner. As a result, these accounts include all of the related IAS19 Employee benefits adjustments for those employees in the Local Government Pension Scheme (LGPS) and the Police Pension Schemes. Whilst a small number of staff work directly for the Commissioner on delivering his activities, on the grounds that any proportionate share of the IAS19 entries would not be material to the accounts, all of the LGPS IAS19 adjustments are contained in the Chief Constable's accounts.

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Chief Constable to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Chief Constable to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

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

The Chief Constable participates in three post-employment schemes:

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

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

Police Pension Scheme (for Police Officers only)

There are 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 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.

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

1.18 Liquid Resources

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

1.19 Cash and Cash Equivalents

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

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

1.20 Trading Account

The Commissioner has one trading account in respect of venue hire for functions at the Training and Support Headquarters. The income and expenditure is now included within the net cost of services to give clearer reconciliations between the financial ledger and the statement of accounts. Any net surplus or deficit is credited or debited to an earmarked reserve at the year end. The modest level of turnover of this account (c £146,000) means that no separate disclosure is made.

1.21 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 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.

1.22 Leases

1.22.1 Introduction

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.22.2 The Commissioner as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

1.22.3 The Commissioner as Lessor

Operating Leases

Where the Commissioner grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the

Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The written-off value of disposals is not a charge against the precept, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

1.23.1 Recognition

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

1.23.2 Measurement

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

Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Surplus assets are carried at fair value, determined by the measurement of the highest and best use value of the asset.

Where assets are revalued, increases in the valuation over the current value on the Balance Sheet are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Income and Expenditure Account where there has previously been an impairment loss charged to the cost of services. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date were consolidated into the opening balance on the Capital Adjustment Account.

1.23.3 Capital Receipts

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

1.23.4 Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible difference are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.23.5 Componentisation

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

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

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

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

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

1.23.6 Depreciation

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

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

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

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

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

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

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

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

1.23.7 Disposals and Non-current Assets Held for Sale

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

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

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

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

1.24 Minimum Revenue Provision for the repayment of debt

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

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

1.25 Inventories

Stock accounts are maintained for uniforms, vehicle spares, fuel, computer consumables and computer equipment and these are valued at latest buying price. This is a departure from IAS 2, but these inventory items are, on the whole, fast moving and interchangeable; any differences between cost, net realisable value or latest buying price are not material to the accounts.

1.26 Provisions, Contingent Liabilities and Contingent Assets

1.26.1 Provisions

Provisions are made where an event has taken place that gives the Commissioner a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Commissioner may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Commissioner becomes aware of the obligation. They are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Commissioner settles the obligation.

1.26.2 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Commissioner a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Commissioner. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.26.3 Contingent Assets

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

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

1.27 Reserves

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

The introduction of the police pension fund account in 2006/07 obviated the need for a pension reserve and the balance on that reserve was transferred into the general reserve. An IAS19 pension reserve is still required to display the pension liability calculated in accordance with IAS19. The IAS19 pension liability is a significant figure which represents the amount that the Commissioner would have to find if all officers and staff were able to claim their pension as at 31 March 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).

The Capital Adjustment Account is a credit balance which reflects the net surplus of resources set aside to finance capital expenditure and the depreciation, impairment and write-off of the historical cost of property, plant and equipment. The Revaluation Reserve records the accumulated gains on assets held by the Commissioner arising from increases in value, netted off for disposals and certain depreciation adjustments.

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

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

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

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

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

1.28 Treasury Management

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

1.29 Fair Value

The Commissioner measures some of his assets and liabilities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

When measuring the fair value of a non-financial asset, the Commissioner takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Commissioner uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets and liabilities:

- Level 1 – quoted prices in active markets for identical assets or liabilities that the Commissioner can access at the measurement date
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

1.30 Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where it is determined that the cost of this expenditure will be met from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

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

1.31 Bad debt

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

1.32 Changes in Accounting Policies

These accounts include the impact of the IFRS13 *Fair Value Measurement* accounting standard on a prospective basis. There are some changes in the presentation of the financial instruments disclosures, albeit the way in which they are recorded on the balance sheet is largely unchanged, and surplus and held for sale property, plant and equipment assets were revalued on a fair value basis. There was no material impact arising from the implementation of this standard.

1.33 Rounding convention

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

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

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

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 Commissioner.

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 Police and Crime Commissioner for Hampshire or the group accounts.

3 – Prior Period Adjustments

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.

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 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:-

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

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

5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Commissioner about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Commissioner's Balance Sheet at 31 March 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. If there is reduced expenditure in the future in this area with reduced overall resources this could lead to useful economic lives being shorter than currently forecast.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £100,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of net liability to pay pensions depends upon a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Chief Constable receives annual forecasts and regular reviews of all of its assets and liabilities from an independent actuary to ensure that the accounts contain realistic estimates of the overall impact of these pensions' liabilities.	The effects of the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumptions would result in a decrease in the Police Pension Schemes liabilities of 1.8% and a decrease in the Local Government Superannuation Scheme liabilities of 2.3%. However, the assumptions interact in complex ways. More details are provided in the IAS19 disclosures at note 8.

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

		CIES Subjective					
	2014/15				2015/16		
PCC	CC	Group		PCC	CC	Group	Note
£'000	£'000	£'000	**Gross Expenditure**	£'000	£'000	£'000	
2,240	263,679	265,919	Employees (including police pensions)	3,156	264,682	267,838	
9,157	3,915	13,072	Premises	13,027	2,803	15,830	
82	7,229	7,311	Transport	82	6,430	6,512	
3,833	19,463	23,296	Supplies and Services	6,594	19,957	26,551	
	46,917	46,917	Third party Payments	474	57,862	58,336	
6,978	0	6,978	Depreciation and Impairment	13,087	0	13,087	*19, 21*
22,290	**341,203**	**363,493**	**Gross cost of services**	**36,420**	**351,734**	**388,154**	
			Service Income				
(287)	(41,595)	(41,882)	Service Income	(304)	(44,781)	(45,085)	
(1,242)	(11,763)	(13,005)	Additional Grants	(2,272)	(15,395)	(17,667)	*13*
(1,529)	**(53,358)**	**(54,887)**	**Total Service Income**	**(2,576)**	**(60,176)**	**(62,752)**	
277,259	(277,259)	0	Intra group adjustment	271,394	(271,394)	0	
298,020	**10,586**	**308,606**	**Net Cost of Services**	**305,238**	**20,164**	**325,402**	
1,183	0	1,183	Other operating income and expenditure	2,075	0	2,075	*17*
785	111,990	112,775	Financing and investment income and expenditure	702	95,700	96,402	*18*
(310,614)	0	(310,614)	Taxation and non specific grant income	(305,043)	0	(305,043)	*13*
(10,626)	**122,576**	**111,950**	**(Surplus) or Deficit on Provision of Services**	**2,972**	**115,864**	**118,836**	
(216)	0	(216)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	(41,508)	0	(41,508)	*32.5*
(20)	0	(20)	Surplus or deficit on revaluation of available for sale financial assets	31	0	31	
0	(18,890)	(18,890)	Return on plan assets	0	4,280	4,280	*8*
0	278,860	278,860	Actuarial (gains)/losses on pension assets/liabilities	0	(382,658)	(382,658)	*8*
(236)	**259,970**	**259,734**	**Other Comprehensive Income and Expenditure**	**(41,477)**	**(378,378)**	**(419,855)**	
(10,862)	**382,546**	**371,684**	**Total Comprehensive Income and Expenditure**	**(38,505)**	**(262,514)**	**(301,019)**	

7 - Amounts reported for Resource Making Decisions

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

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

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

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

2015/16	Police Service	General Items	Police and Crime Commissioner	Group Total
	£'000	£'000	£'000	£'000
Expenditure:				
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**
Total Expenditure	**313,853**	**0**	**20,604**	**334,457**
Income:				
Service Income	(34,953)		(192)	**(35,145)**
Additional Specific Grants	(6,075)		(2,383)	**(8,458)**
Total Income	**(41,028)**	**0**	**(2,575)**	**(43,603)**
Contributions to/(from) reserves	2,738			**2,738**
Capital Financing (net)		3,122		**3,122**
Interest on balances				**0**
Net Expenditure	**275,563**	**3,122**	**18,029**	**296,714**

Reconciliation of portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	**£000**
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)**
Cost of Services in Comprehensive Income and Expenditure Statement	**325,402**

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
Expenditure:							
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)**
Total Expenditure	**334,459**	**19,080**	**37,419**	**(2,802)**	**388,156**	**99,235**	**487,391**
Income:							
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)**
Total Income	**(43,605)**	**(19,143)**	**0**	**(6)**	**(62,754)**	**(305,044)**	**(367,798)**
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)**
Net Expenditure	**296,714**	**45**	**37,419**	**(8,776)**	**325,402**	**(206,566)**	**118,836**

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

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

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

8 - IAS19 (Pensions Accounting) entries and disclosures

Participation in pensions schemes

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

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

The Chief Constable participates in a number of post employment schemes:

- The Local Government Pension Scheme (LGPS) for support staff, administered by Hampshire County Council. This is a funded defined benefit scheme, meaning that the Chief Constable and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;
- Arrangements for the award of discretionary post retirement benefits upon early retirement in respect of members of the LGPS. Liabilities are recognised when an award is made and the Chief Constable recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure. Note that the employer's liabilities under these arrangements are not material and the relevant transactions and liabilities are included with the overall LGPS funded scheme;
- Three schemes for police officers – the 1987, 2006 and 2015 schemes. 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.
- The Commissioner is also liable for payment of initial and ongoing costs in respect of officers who receive injury pension. Injury awards are funded by the employer in their entirety and are not part of the pension fund account.

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:

	1987 Police Pension Scheme		2006 Police Pension Scheme		2015 Police Pension Scheme	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Comprehensive Income and Expenditure Statement						
Cost of Services						
- 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
Financing and Investment Income and Expenditure						
Net interest expense	102,430	86,320	2,800	3,080	0	120
Total Charge to the Surplus or Deficit on the Provision of Services	**138,480**	**118,380**	**9,750**	**3,580**	**0**	**15,220**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
- Return on plan assets (excluding the amount included in the net interest expense)	0	0	0	0	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
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**342,650**	**(220,528)**	**36,060**	**(15,858)**	**0**	**35,928**
Movement in Reserves Statement						
Reverse charge to Provision of Services	**(138,480)**	**(118,380)**	**(9,750)**	**(3,580)**	**0**	**(15,220)**
Actual Amount charged against the General Fund Balance for pensions in the year						
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**
Charge on General Fund	**25,040**	**13,932**	**5,190**	**432**	**0**	**13,698**

[table continues on the next page]

	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
Comprehensive Income and Expenditure Statement						
Cost of Services						
- 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**
Financing and Investment Income and Expenditure					**0**	**0**
Net interest expense	2,370	2,020	4,390	4,160	**111,990**	**95,700**
Total Charge to the Surplus or Deficit on the Provision of Services	**3,720**	**3,180**	**15,090**	**17,690**	**167,040**	**158,050**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
- Return on plan assets	**0**	**0**	(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)**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**9,860**	**(15,050)**	**38,440**	**(4,820)**	**427,010**	**(220,328)**
Movement in Reserves Statement						
Reverse charge to Provision of Services	**(3,720)**	**(3,180)**	**(15,090)**	**(17,690)**	**(167,040)**	**(158,050)**
Actual Amount charged against the General Fund Balance for pensions in the year						
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**
Charge on General Fund	**1,710**	**1,880**	**11,810**	**12,520**	**43,750**	**42,462**

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 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:-

	1987 Police Pension Scheme		2006 Police Pension Scheme		2015 Police Pension Scheme	
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

	Injury Pensions (police officers)		Local Govt Pension Scheme		Total	
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

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

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)

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:

	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:-

Baseline:-				
Police Schemes				
Present Value of total obligation (excluding injury benefits) @ 31.3.16 = £2609.57M				
Projected Service cost 2016/17 = £36.07M				
Local Government Superannuation Scheme				
Present Value of total obligation (funded scheme only) @ 31.3.15 = £349.06M				
Projected Service cost 2016/17 = £12.28M				
	LGPS		**Police Schemes**	
	+ 0.1% p.a.	**- 0.1% p.a.**	**+ 0.1% p.a.**	**- 0.1% p.a.**
Adjustment to discount rate				
* Present value of total obligations (£M)	341.02	357.28	2,563.08	2,656.95
* % change in present value of total obligations	-2.3%	2.4%	-1.8%	1.8%
* Projected service cost (£M)	11.82	12.75	34.56	37.63
* % change in projected service cost	-3.8%	3.9%	-4.2%	4.3%
Rate of general increase in salaries				
* Present value of total obligations (£M)	350.90	347.24	2,620.68	2,598.59
* % change in present value of total obligations	0.5%	-0.5%	0.4%	-0.4%
* Projected service cost (£M)	12.28	12.28	36.52	35.63
* % change in projected service cost	0.0%	0.0%	1.2%	-1.2%
Rate of increase to pensions in payment and deferred pensions				
* Present value of total obligations (£M)	355.42	342.82	2,645.72	2,573.94
* % change in present value of total obligations	1.8%	-1.8%	1.4%	-1.4%
* Projected service cost (£M)	12.75	11.82	37.23	34.95
* % change in projected service cost	3.9%	-3.8%	3.2%	-3.1%
Adjustment to mortality age rating assumption				
	-1 year	**+1 year**	**-1 year**	**+1 year**
* Present value of total obligations (£M)	357.79	340.27	2,677.42	2,541.66
* % change in present value of total obligations	2.5%	-2.5%	2.6%	-2.6%
* Projected service cost (£M)	12.69	11.87	37.41	34.73
* % change in projected service cost	3.3%	-3.4%	3.7%	-3.7%

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%

9 – Corporate and Democratic Core

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

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

10 – Related Parties

The Commissioner and the Group are required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Commissioner or to be controlled or influenced by the Commissioner. Disclosure of these transactions allows readers of the accounts to assess the extent to which the Commissioner might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Commissioner. In this disclosure, the Chief Constable, as a wholly-owned subsidiary, is included and the note covers the Group as a whole.

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

The Chief Constable makes contributions to pension schemes for both uniformed officers and non-uniformed staff. The Police Pension Schemes are administered by the Chief Constable and the Chief Constable paid £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 Chief Executive to the OPCC was also the Head of Legal Services for Hampshire County Council, acting in a part-time capacity until 30 June 2015, whereafter the role became a full-time secondment. Similar assurances as with the CFO would have applied.

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

Activity	Partners	Lead/Host
Technical support (part of SEROCU)	SE Region	TVP
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.

During 2014/15, the Commissioner entered into a number of joint working agreements with Hampshire County Council and Hampshire Fire and Rescue Services for a range of corporate 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 cost in accordance with the individual agreements. The total cost of these services in 2015/16 was £27m (£30m in 2014/15) of which the Commissioner's share was £6.5m (£6.7m in 2014/15).

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 from the Commissioner and the Chief Constable totalled £39,000. Whilst not material to the Group, these grants represent a significant proportion of the turnover of the Trust.

11 – Officer and Staff Remuneration

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

The Accounts and Audit Regulations 2015 require the Commissioner to report on the number of employees who received remuneration totalling more than £50,000 in the year, grouped in bandings of £5,000.

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 2015 regulations define senior police officers for these purposes as being those with the rank of superintendent or above. However, the Commissioner has opted to include all staff whose total remuneration falls into the bandings, regardless of their rank. This is consistent with the information given in previous years. Additionally, whilst relevant police officers and senior police staff are subject to a separate disclosure, the numbers in the table above include these individuals. The numbers also include people who are seconded to national roles but whose costs are reimbursed.

	2014/15			2015/16		
Remuneration Band	**Number of employees**			**Number of employees**		
	CC	**PCC**	**Group Total**	**CC**	**PCC**	**Group Total**
£50,000 - £54,999	182	1	183	166	2	168
£55,000 - £59,999	99	1	100	104	1	105
£60,000 - £64,999	45	0	45	20	1	21
£65,000 - £69,999	17	0	17	10	0	10
£70,000 - £74,999	6	0	6	10	0	10
£75,000 - £79,999	4	1	5	4	0	4
£80,000 - £84,999	5	0	5	6	1	7
£85,000 - £89,999	4	1	5	3	1	4
£90,000 - £94,999	0	0	0	3	0	3
£95,000 - £99,999	2	0	2	1	0	1
£100,000 - £104,999	1	0	1	0	0	0
£105,000 - £109,999	4	0	4	1	0	1
£110,000 - £114,999	0	0	0	1	0	1
£115,000 - £119,999	0	0	0	1	0	1
£120,000 - £124,999	1	0	1	0	0	0
£125,000 - £129,999	0	0	0	1	0	1
£140,000 - £144,999	0	0	0	1	0	1
£150,000 - £154,999	0	0	0	2	0	2
£165,000 - £169,999	1	0	1	0	0	0
Totals	**371**	**4**	**375**	**334**	**6**	**340**

Note that where there are no officers or staff in a particular banding, this banding 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 Commissioner. In Hampshire, the relevant police officer is the Chief Constable, who should be identified by name as well as post, regardless of his salary. However, the definition of senior employees for non-police officers is wider and covers those responsible for the strategic management of the organisation. Given the nature of the services provided by the Commissioner and the make-up of its strategic leadership team, the disclosure below includes all chief officers. Only relevant police officers (regardless of salary) and senior employees with a salary greater than £150,000 are named.

The table below provides the relevant disclosure for 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. The tables show the distinction between the Office of the PCC and those included in the operating cost statement for the Chief Constable, although in reality all officers and staff are paid by the Commissioner.

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
	£	£	£	£	£	£	£	£	£	
Office of the PCC										
PCC For Hampshire & Isle of Wight	85,000		0		0		85,000	11,135	96,135	
Constabulary										
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	4
ACC - 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	
ACC - Territorial Operations - 1/4/15 to 31/1/16	99,165		0		6,357		105,522	19,262	124,784	
Acting ACC - 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	
	765,645	**0**	**0**	**0**	**13,945**	**0**	**779,590**	**132,490**	**912,080**	

Note 1: The Treasurer is the statutory Chief Financial Officer. This is a part-time role and the Treasurer's remuneration details are disclosed by Hampshire County Council. A recharge is made to the PCC from the County Council in respect of the time and cost of the statutory role carried out by the Treasurer. This charge was £21,000 (This figure include all Employers Oncosts)

Note 2: The Chief Executive for the PCC is being supplied by Hampshire County Council. This became a full-time secondment on 1 July 2015 and the Officer providing this function is included within the remuneration details are disclosed by Hampshire County Council. A recharge is made to the PCC from the County Council in respect of the cost of the Chief Executive. This charge was £73,800 (This figure includes all Employers Oncosts)

Note 3: 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)

Note 4. Providing cover during a period of extended absence.

2014/15 Disclosure Post holder information	Salary, fees and allowances	Bonuses	Expenses Allowance	Compensation for loss of employment	Benefits in Kind	Other payments (Police officers only)	Total Remuneration excluding pensions contributions	Employer's Pension contributions	Total Remuneration including pensions contributions	Note
	£	£	£	£	£	£	£	£	£	
Office of the PCC										
PCC For Hampshire & Isle of Wight	85,000	0	0	0	0	0	85,000	11,135	96,135	
Constabulary										
Chief Constable - A Marsh	162,723	0	469	0	6,064	0	169,256	38,215	207,471	
Deputy Chief Constable (01/04/2014 to 04/12/14)	100,437	0	3,100	0	0	0	103,537	10,367	113,904	
Deputy Chief Constable (03/11/2014 to 31/03/15)	54,960	0	7,246	0	0	0	62,206	12,914	75,120	
Assistant Chief Constable - Crime and Criminal Justice (01/04/2014 to 15/07/2014)	37,679	0	942	0	0	0	38,621	8,693	47,314	
Assistant Chief Constable - Crime and Criminal Justice (16/07/2014 to 31/03/2015)	68,743	0	0	0	2,992	0	71,735	13,814	85,549	
Acting Assistant Chief Constable - Crime and Criminal Justice (05/01/2015 to 31/03/2015)	23,251	0	0	0	68	0	23,319	4,715	28,034	
Assistant Chief Constable - Territorial Operations	117,232	0	0	0	4,567	0	121,799	26,022	147,821	
Assistant Chief Officer - Business and Resources	108,542	0	0	0	0	0	108,542	12,695	121,237	
	758,567	**0**	**11,756**	**0**	**13,691**	**0**	**784,015**	**138,570**	**922,585**	1,2

Note 1: The Treasurer is the statutory Chief Financial Officer. This is a part-time role and the Treasurer's remuneration details are disclosed by Hampshire County Council. A recharge is made to the PCC from the County Council in respect of the time and cost of the statutory role carried out by the Treasurer. This charge was £20,900.

Note 2: The Chief Executive for the PCC is being supplied by Hampshire County Council. This is a part-time role and the Officer providing this function is included within the remuneration details are disclosed by Hampshire County Council. A recharge is made to the PCC from the County Council in respect of the cost of the Chief Executive. This charge was £72,444 (This figure includes all Employers Oncosts)

Note 3: The Chief Finance Officer for Hampshire Constabulary is now employed by Hampshire County Council as part of the H3 partnership. The Officer providing this function is included within the remuneration details are disclosed by Hampshire County Council. A recharge is made to the Constabulary from the County Council in respect of the cost of the Chief Finance Officer. This charge was £93,726 (This figure includes all Employer Oncosts)

Exit Packages in Bands of £20,000 – Group

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	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)
Totals	**2**	**(5)**	**6**	**19**	**8**	**14**	**146**	**340**

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 Chief Constable 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.

13 – Grant Income – Group and Commissioner

2014/15 £'000		2015/16 £'000
	Credited to Taxation and Non-Specific Grant Income	
(100,028)	Council Tax Precept	(103,568)
(65,551)	Formula funding	(63,501)
(128,570)	Police Grant	(120,701)
(12,944)	Council tax legacy grant	(12,944)
(3,521)	Government Grant to Finance Capital Expenditure	(4,329)
(310,614)	**Total**	**(305,043)**
	Credited to Services	
2014/15 £'000		**2015/16 £'000**
(3,343)	Dedicated Security Posts grant	(3,007)
(4,046)	ACPO Criminal Records Office	(7,083)
(1,242)	Restorative Justice/Victims Support grant	(2,272)
(538)	Disclosure and Barring Service funding	(536)
(363)	FOI Central Referral Unit	(400)
(54)	National football policing unit	0
(104)	Prevent grant	(96)
(64)	NHS Medical in custody grant	0
(158)	Other Home Office Grants	(169)
(142)	Regional organised crime unit set up funding	0
0	NATO special operations grant	(821)
(1,953)	Innovation Fund	(2,834)
(29)	Local Criminal Justice Board	(12)
(969)	Miscellaneous grants	(437)
(13,005)	**Total**	**(17,667)**

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

2014/15 PCC £'000	2014/15 CC £'000		2015/16 PCC £'000	2015/16 CC £'000
		Credited to Taxation and Non-Specific Grant Income		
(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
(310,614)	**0**	**Total**	**(305,043)**	**0**
		Credited to Services		
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)
(1,242)	**(11,763)**	**Total**	**(2,272)**	**(15,395)**

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

Current Liabilities

Grants Receipts in Advance - Revenue Grants		
2014/15 £'000		**2015/16 £'000**
(428)	EU grant for ACRO	(312)
(300)	Home Office grant for ACRO	0
(58)	NHS medical service in custody grant	(58)
(12)	Other miscellaneous grants and contributions	(47)
(798)		**(417)**

14 – Adjustments between accounting basis and funding under regulations

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

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

2015/16	Usable Reserves					
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	13,087					(13,087)
Revaluation losses on Property Plant and Equipment						0
Amortisation of intangible fixed assets	0					0
Capital grants and contributions applied	(4,329)					4,329
Revenue expenditure funded from capital under statute	3,792					(3,792)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	5,343					(5,343)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(1,664)					1,664
Capital expenditure charged against the General Fund						0

2015/16	Usable Reserves					
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement					0	
Application of grants to capital financing transferred to the Capital Adjustment Account						
Adjustments primarily involving the Capital Receipt Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,176)		6,176			
Use of the Capital Receipts Reserve to finance new capital expenditure			(6,176)			6,176
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
Adjustments primarily involving the Capital (Revenue Contributions) Reserve:						
Reversal of net sum set aside in the Comprehensive Income and Expenditure Statement to cover capital expenditure not funded from other capital resources	(7,602)			7,602		
Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure				(4,978)		4,978

2015/16	Usable Reserves: General Fund Balance	Usable Reserves: Earmarked General Fund Reserves	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Capital (Revenue Contributions) Reserve	Usable Reserves: Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0					0
Adjustments primarily involving the Pensions Reserve:						
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
Adjustments primarily involving the Collection Fund Adjustment Account :						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	584					(584)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	277					(277)
Total Adjustments	118,900	0	0	2,624	0	(121,524)

2014/15	Usable Reserves					
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	7,097					(7,097)
Revaluation losses on Property Plant and Equipment						0
Amortisation of intangible fixed assets	0					0
Capital grants and contributions applied	(3,521)					3,521
Revenue expenditure funded from capital under statute	1,608					(1,608)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	2,110					(2,110)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(1,940)					1,940
Capital expenditure charged against the General Fund						0

2014/15	Usable Reserves					
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement					0	
Application of grants to capital financing transferred to the Capital Adjustment Account						
Adjustments primarily involving the Capital Receipt Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,956)		2,956			
Use of the Capital Receipts Reserve to finance new capital expenditure			(4,026)			4,026
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
Adjustments primarily involving the Capital (Revenue Contributions) Reserve:						
Reversal of net sum set aside in the Comprehensive Income and Expenditure Statement to cover capital expenditure not funded from other capital resources	(1,220)			1,220		
Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure				(1,788)		1,788

2014/15	Usable Reserves					
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital (Revenue Contributions) Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(18)					18
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	167,040					(167,040)
Employer's pensions contributions and direct payments to pensioners payable in the year	(43,750)					43,750
Adjustments primarily involving the Collection Fund Adjustment Account :						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(348)					348
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(714)					714
Total Adjustments	123,388	0	(1,070)	(568)	0	(121,750)

15 – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund Expenditure in 2015/16.

	Balance 31 March 2014	Transfers 2014/15 Out	Transfers 2014/15 In	Balance 31 March 2015	Transfers 2015/16 Out	Transfers 2015/16 In	Balance 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ACRO Surety	4,094	0	0	4,094	0	0	4,094
AVCIS Surety	300	0	0	300	0	46	346
Carry Forward Reserve	14,426	(10,989)	8,973	12,410	(10,744)	11,751	13,417
Commissioning Reserve	1,976	(273)	0	1,703	(741)	0	962
Equipment Reserve	1,000	0	0	1,000	0	0	1,000
Estate Risk Reserve	0	0	2,750	2,750	0	0	2,750
Grant Equalisation Res'rve	0	0	0	0	0	5,000	5,000
Insurance Reserve	894	0	0	894	0	0	894
Laboratory Reserve	53	0	50	103	0	0	103
Netley Business Plan	150	0	48	198	0	20	218
Performance Reserve	1,700	(1,700)	0	0	0	2,000	2,000
Revenue Grants Unapplied	228	(54)	214	388	(92)	10	306
Risk Reserve	6,689	0	973	7,662	0	0	7,662
Transformation Reserve	24,954	(3,126)	11,857	33,685	(13,143)	7,125	27,667
Total	56,464	(16,142)	24,865	65,187	(24,720)	25,952	66,419

Earmarked reserves are held for the following purposes:

- The ACRO surety is a sum held to meet any liabilities in the event that the ACRO service is ceased or transferred out of the Commissioner's stewardship at short notice;
- The AVCIS surety is a sum held in the event that the ACPO Vehicle Crime Intelligence Service is ceased or transferred out of the Commissioner's stewardship at short notice;
- The Carry Forward Reserve is for approved budget carry forwards from surpluses generated from devolved budgets or from the ACPO Criminal Records Office (ACRO);
- The Commissioning Reserve is used for grant funding schemes established by third parties who support the priorities in the Police and Crime Plan. Previously known as the Protecting People and Places Reserve, this was set up with using the unspent balance from a one-off budget in the OPCC's revenue account in 2013/14 and is a major element of the funding for the PCC's Commissioning Plan 2013/17;
- The Equipment reserve acts as a sinking fund to pay for the regular replacement of essential equipment such as body armour and Chemical Biological, Radiological and Nuclear (CBRN) kit. The intention is to provide a facility for contributions to be made, ideally on an annual basis, to smooth out the cost of large scale replacements
- The Estate Risk Reserve was established in 2014/15 to provide a source of funding contingency that may be required within the Estate Strategy;

- The Grant Equalisation Reserve was established by a contribution from the 2014/15 underspend to mitigate the impact of front-loaded budget cuts to policing services by balancing budgets in the short-term from this reserve while medium-term solutions are implemented;
- The Insurance Reserve is held to meet the costs of any unforeseen increases in settlements made during the year;
- The Laboratory Reserve is available to pay for renewal of equipment as part of a joint scheme with Hampshire County Council. This reserve will be used periodically and replenished in between;
- The Netley Business Plan holds the accumulated surpluses of the net trading activity of the use of the Netley site for functions such as weddings. The surplus is held for subsequent reinvestment in the site;
- The Performance Reserve is held with the purpose of boosting performance at a time when forces nationally have to contend with budget reductions, whilst directly meeting the priorities of the Commissioner and Force;
- The Revenue Grants Unapplied reserve holds grants for which there are no outstanding conditions but where the expenditure has not been incurred at the year end. When expenditure is subsequently incurred, a transfer is made from this reserve to the General Fund reserve to replenish that reserve;
- The Risk Reserve has been established as a contingency against delays or shortfalls in achieving savings or further and unexpected budget reductions;
- The Transformation Reserve is held to meet the necessary costs of changing structures and processes in the force to ensure that performance is maintained in an environment of reduced and reducing budgets.

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

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

2014/15 £'000		2015/16 £'000
990	**Balance at start of year**	**422**
1,220	Contributions received in year	7,602
(1,788)	Contributions applied to finance capital expenditure	(4,978)
0	Contributions returned to revenue	0
422	**Balance at end of year**	**3,046**

17 – Other operating income/expenditure

2014/15 £'000		2015/16 £'000
2,029	Levies to National Police Services	2,806
(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
(846)	(Gains)/losses on the disposal of non-current assets	(731)
1,183		2,075

18 – Financing and investment income and expenditure

18.1 Financing and investment income and expenditure – Group

2014/15 £'000		2015/16 £'000
1,512	Interest payable and similar charges	1,458
111,990	Pensions interest cost and expected return on pension assets	95,700
(709)	Interest receivable and similar income	(756)
(18)	Other investment income	0
112,775		96,402

18.2 Financing and investment income and expenditure – PCC

2014/15 £'000		2015/16 £'000
1,512	Interest payable and similar charges	1,458
(709)	Interest receivable and similar income	(756)
(18)	Other investment income	0
785		702

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

Property, Plant and Equipment Movement on balances

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

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

Movement on balances 2015/16

	Land and Buildings	Vehicles and Plant	Furniture and Equipment	Assets under construction	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 31 March 2015	**133,127**	**18,849**	**14,228**	**6,789**	**11,690**	**184,683**
Adjustment to opening balance						0
Revised value as at 31 March 2015	**133,127**	**18,849**	**14,228**	**6,789**	**11,690**	**184,683**
Additions in year	741	820	1,150	15,456	0	18,167
Donations			376			376
Revaluation increases/(decreases) recognised in the Revaluation Reserve	28,193	0	0	0	7,003	35,196
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,401)	0	0	0	(3,401)	(4,802)
Derecognition - Disposals	(2,194)	(1,474)	(2,873)	0	(1,485)	(8,026)
Derecognition - Other	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	(330)	0	0	0	(2,334)	(2,664)
Other movements in cost or valuation	(2,956)	0	1,702	(8,772)	9,998	(28)
At 31 March 2016	**155,180**	**18,195**	**14,583**	**13,473**	**21,471**	**222,902**
Accumulated depreciation and Impairment						
At 31 March 2015	**(12,922)**	**(10,834)**	**(6,846)**	**0**	**(903)**	**(31,505)**
Adjustment to opening balance						0
Revised value as at 31 March 2015	**(12,922)**	**(10,834)**	**(6,846)**	**0**	**(903)**	**(31,505)**
Depreciation Charge	(2,641)	(1,904)	(2,776)	0	(225)	(7,546)
Depreciation written out on revaluation	5,080	0	0	0	1,301	6,381
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	171	1,224	2,873	0	515	4,783
Derecognition - Other	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0
Other movements in depreciation and impairment	1,013	0	0	0	(696)	317
At 31 March 2016	**(9,299)**	**(11,514)**	**(6,749)**	**0**	**(8)**	**(27,570)**
Net Book Value						
At 31 March 2016	**145,881**	**6,681**	**7,834**	**13,473**	**21,463**	**195,332**
At 31 March 2015	**120,205**	**8,015**	**7,382**	**6,789**	**10,787**	**153,178**

Movement on balances 2014/15

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

Impairment Review

There is a requirement under the Code each year to review property, plant and equipment assets for evidence of impairment, which may be occasioned by a permanent consumption of economic benefits - e.g. as a result of a fire - or by a general reduction in prices or value. No assets were considered to have been impaired at the end of 2015/16.

Capital commitments

As at 31 March 2016 the Commissioner had committed capital expenditure of £18.8m. The majority of this commitment is in relation to ongoing works for the Estates Change Programme (£17.2m).

Intangible assets

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

20 – Valuation Information

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

The statement below shows the progress of the Commissioner's rolling programme for the revaluation of property, plant and equipment assets. The main operational sites were revalued in 2015/16. In addition, with the move to the new IFRS13 accounting standard, surplus and held for sale properties were revalued to ensure that the carrying value was on a fair value basis.

Valuations were carried out by RICS Registered Valuers in the Estates and Development Services department of Hampshire County Council and were reviewed and authorised by Jane Stanford MRICS and Alexandra Byrne MRICS of the same department.

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

	Land and buildings	Vehicles and plant	Furniture and equipment	Assets under construction	Surplus assets	Total property, plant and equipment
Valued:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At historical cost		6,681	7,834	13,473		27,988
At fair value in:						
2010/11	16					16
2011/12	56,398					56,398
2012/13	244					244
2013/14						0
2014/15	4,523					4,523
2015/16	84,700				21,463	106,163
Total	145,881	6,681	7,834	13,473	21,463	195,332

Measurement Bases

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

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

21 – Assets held for sale

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

The Commissioner held six properties at the Balance Sheet date. These are former police stations and beat houses which are being disposed of as part of the Estates Change Programme (ECP), with the capital receipts generated being used to finance a programme of works designed to provide 21st Century policing from appropriate locations, including shared use and third party premises.

	Current		Non-Current	
	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	**4,669**	**2,099**	**0**	**0**
Assets newly classified as held for sale:				
- Property, Plant and Equipment	1,442	2,666	0	0
Revaluation gains/(losses)	0	(1,125)	0	0
Assets declassified as held for sale:				
* Property, Plant and Equipment	(3,178)	0	0	0
* Intangible Assets	0	0	0	0
* Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(834)	(2,100)	0	0
Balance outstanding at year-end	**2,099**	**1,540**	**0**	**0**

The revaluation losses in 2015/16 include £678,867 which is charged to the surplus or deficit on the cost of services. The balance is offset against any extant gains in the revaluation reserve.

22 – Capital financing requirement

2014/15	Capital financing and expenditure	2015/16
£'000		£'000
46,288	*Opening Capital Financing Requirement*	46,389
	Capital	
5,524	Operational assets	3,087
4,266	Non-operational assets	15,456
1,608	Revenue Expenditure funded from capital under statute	3,764
	Sources of finance	
(4,048)	Capital receipts	(6,278)
(3,521)	Government grants and contributions	(3,954)
0	Donated assets	(375)
(1,788)	Use of reserves (Revenue contributions to capital)	(4,978)
(1,940)	Sums from revenue (Minimum revenue provision - MRP)	(1,664)
46,389	*Closing Capital Financing Requirement*	**51,447**
	Explanation of movements in year	
101	Increase/(Decrease) in underlying need to borrow	5,058
101	*Increase/(decrease) in Capital Financing*	**5,058**

£18.5m of capital expenditure was on property, plant and equipment as shown above, with the balance (£3.76m) being expended on premises which the Commissioner does not own but is occupied by his staff and officers under joint-working arrangements, including the joint police and fire strategic headquarters at Eastleigh. The expenditure on non-operational assets in 2015/16 relates to the continuing expenditure on the programme to rationalise operational property across the force area, to provide neighbourhood offices for safer neighbourhood teams for the relocation of the operational headquarters for the Constabulary and to purchase and prepare sites for Police Investigation Centres. Once complete, these non-operational assets will be reclassified and will become operational (i.e. used in the delivery of services).

Under the Prudential Code arrangements, the Commissioner is permitted to borrow money to finance capital expenditure as long as the borrowing is prudent, affordable and sustainable. No new borrowing was taken out in 2015/16 (Nil in 2014/15).

23 – Leases

23.1 Commissioner as Lessee

Finance Leases

The Commissioner has one building which he acquired under a finance lease under IAS17. He has not identified any other assets which have been acquired under finance leases. This operational building is carried as property, plant and equipment in the Balance Sheet and is subject to depreciation in accordance with its class of asset.

The Commissioner paid a premium when he took the building on a 999-year lease in March 2001 and is paying a peppercorn rent for the remainder of the lease term. The minimum lease payment is not recognised as a long-term liability in the Commissioner's accounts due to its immateriality. The annual lease payment is recognised as a revenue expense. The net book value of the property at 31 March 2016 is £3.180m (£3.220m at 31 March 2015).

Operating Leases

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

31 March 2015 £'000		31 March 2016 £'000
896	Not later than one year	854
1,001	Later than one year and not later than five years	986
491	Later than five years	612
2,388	**Total**	2,452

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

31 March 2015 £'000		31 March 2016 £'000
878	Minimum lease payments	1,054
878	**Total**	1,054

23.2 Commissioner as Lessor

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

24 – Insurance Provisions

The Police Commissioner does not have an insurance provision but does hold a reserve of £894,000 (£894,000 at 31 March 2015). The Commissioner self insures lower amounts but externally insures against larger risks such as loss/damage to assets and other potential liabilities.

25 – Financial Instruments

25.1 Introduction

A financial instrument is defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another". Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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

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

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

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

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

Financial Assets	**Long - term**		**Short-term**	
	31 March 2015 £'000	**31 March 2016 £'000**	**31 March 2015 £'000**	**31 March 2016 £'000**
Investments				
Loans and receivables				
- principal at amortised cost	10,350	7,000	24,000	13,600
- accrued interest			156	69
Available for sale investments				
- principal at amortised cost	1,020	12,112	27,414	20,072
- accrued interest			62	12
Total investments	**11,370**	**19,112**	**51,632**	**33,753**
Debtors				
Financial assets carried at contract amount	653	543	9,402	4,549
Total debtors	**653**	**543**	**9,402**	**4,549**
Financial Liabilities	**Long - term**		**Current**	
	31 March 2015 £'000	**31 March 2016 £'000**	**31 March 2015 £'000**	**31 March 2016 £'000**
Borrowings at amortised cost				
- PWLB principal sum borrowed	34,236	33,021	1,714	1,215
- accrued interest			216	192
Total Borrowing	**34,236**	**33,021**	**1,930**	**1,407**
Creditors				
Financial liabilities carried at contract amount	0	0	10,073	8,275
Total creditors	**0**	**0**	**10,073**	**8,275**

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

25.2 Income, Expense, Gains and Losses

	2015/16					2014/15
	Financial Liabilities		Financial Assets			
	Amortised cost	Fair Value through Profit & Loss	Loans and receiv - ables	Available for sale assets	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(1,428)				(1,428)	(1,476)
Interest payable and similar charges	**(1,428)**	**0**	**0**	**0**	**(1,428)**	**(1,476)**
Interest income			282	370	652	678
Dividend income				104	104	31
Interest and investment income	**0**	**0**	**282**	**474**	**756**	**709**
Gains on revaluation				66	66	20
Losses on revaluation				(97)	(97)	0
Impact of revaluation in Other Comprehensive Income and Expenditure	0	0	0	(31)	(31)	20
Net gain / (loss) for the year	**(1,428)**	**0**	**282**	**443**	**(703)**	**(747)**

25.3 Fair values of Assets and Liabilities

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2016, using the following methods and assumptions:

- Certificates of deposit have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

- Loans borrowed by the PCC have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans;
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount;
- The fair values of investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March;

Liabilities

The fair value of the long-term liabilities is higher than the carrying amount because the Commissioner's portfolio of loans includes a number of loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet dates. This shows a notional loss (based on economic conditions at the balance sheet date) arising from a commitment to pay interest to lenders above current market rates at that time.

Assets

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

Long term debtors shown on the balance sheet consist largely of housing assistance loans and the carrying value of long-term debtors is fair value.

Housing assistance loans, totalling £0.92m, were offered to police officers and operational police staff between 2004/05 and 2007/08. Interest free loans of up to £20,000 were made. A charge was placed on the property purchased and this becomes repayable at the end of 15 years or earlier in the case of a sale. Because the prevailing interest rate at the time the advance was made was greater than the actual rate of interest applied (i.e. 0%) transactions of this nature were termed 'soft loans'.

The fair value of housing assistance loans is £0.53m (£0.63m at 31 March 2015). This is now the same as the carrying value.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices;
- Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments;
- Level 3 - fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

	Fair Value level	Amortised cost 31/03/2015 £'000	Amortised cost 31/03/2016 £'000	Fair Value 31/03/2015 £'000	Fair Value 31/03/2016 £'000
Financial Liabilities					
Long term loans from PWLB	2	(35,950)	(34,236)	(43,478)	(40,686)
Accrued interest		(216)	(192)	(216)	(192)
Total loans borrowed		(36,166)	(34,428)	(43,694)	(40,878)
Liabilities for which fair value is not disclosed *		(10,073)	(8,275)	(10,073)	(8,275)
Total financial liabilities		**(46,239)**	**(42,703)**	**(53,767)**	**(49,153)**
Recorded on the balance sheet as:					
Short term creditors		(10,073)	(8,275)		
Short term borrowing		(1,930)	(1,407)		
Long term creditors		0	0		
Long term borrowing		(34,236)	(33,021)		
Total financial liabilities		**(46,239)**	**(42,703)**		
Financial Assets					
Available for sale assets held at fair value:					
Money market funds	1	19,458	14,828	19,458	14,828
Bond, equity & property funds	1	1,020	2,993	1,020	2,993
Certificates of deposit	2	16,562	12,012	16,562	12,012
Corporate & government bonds	2	10,914	17,191	10,914	17,191
Assets held at amortised cost:					
Long term loans to other authorities		10,401	7,036	10,473	7,103
Total		**58,355**	**54,060**	**58,427**	**54,127**
Assets for which fair value is not disclosed *		36,163	23,554		
Total financial assets		**94,518**	**77,614**		
Recorded on balance sheet as:					
Long term investments		11,370	19,112		
Long term debtors		653	543		
Short term investments		51,632	33,753		
Cash and cash equivalents		21,461	19,657		
Short term debtors		9,402	4,549		
Total financial assets		**94,518**	**77,614**		

* the fair value of short term liabilities and assets including trade payables and receivables is assumed to approximate to the carrying amount.

25.4 Trade Receivables (Debtors)

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

31 March 2015 £'000		31 March 2016 £'000
9,402	Receivable financial instruments	4,549

No trade debtors were impaired during the year (£Nil in 2014/15) for debt (or proportions thereof) deemed uncollectable.

25.5 Loans and receivables – long-term

In accordance with the Annual Investment Strategy, £7.036m of surplus cash was invested in a total of five loans at the balance sheet date, with various dates of maturity between August and November 2017, all with UK local authorities as counterparties. With interest rates being fixed at rates which are close to the discount rate and these investments being repaid at various points during this period, the fair value of these investments is £7.103m. This difference is not significant and the investments are held at carrying value as a proxy for fair value at the Balance Sheet date.

25.6 Trade Payables (Creditors)

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

31 March 2015 £'000		31 March 2016 £'000
10,073	Payable financial instruments	8,275

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

The Commissioner's borrowing strategy for 2015/16 was set in March 2015. The PCC's chief objective when borrowing money was to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the OPCC's long-term plans change was deemed a secondary objective.

Given the significant cuts to public expenditure and in particular to local government funding, the OPCC's borrowing strategy remained to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it was likely to be more cost effective in the short-term to use internal resources..

By doing so, the OPCC was able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise.

No new long-term borrowing was taken out in 2015/16 due to a combination of a limited requirement to resource the capital programme, the cost of carry and the level of internal balances and reserves which are available for temporary financing.

The Commissioner has 19 fixed long-term loans from the Public Works Loans Board (PWLB). These are analysed below:-

Analysis of loans by maturity	Average interest rate (Current)	Outstanding loans 31 March 2015 £'000	Outstanding loans 31 March 2016 £'000
Less than 5 years	2.46%	5,500	4,285
Between 5 and 10 years	4.70%	1,450	950
Between 10 and 15 years	0.00%	0	0
Between 15 and 20 years	4.20%	18,000	21,000
Between 20 and 25 years	4.45%	11,000	8,000
	4.05%	**35,950**	**34,235**

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

Much of the Commissioner's loan portfolio of £34.24m was taken out between 2008/09 and 2011/12 (£35.95m). The PWLB loans had a fair value – based on the repayment rate - of £45.0m at 31 March 2016 (£47.1m at 31 March 2015). The fair value based on the new accounting standard (IFRS 13) was £40.9m at 31 March 2016 (£43.7m at 31 March 2015).

25.8 Financial guarantee contracts

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

By being the signatory to property leases and by being the employer of all of the staff, the Commissioner has effectively guaranteed the lease payments for premises occupied by the ACPO Criminal Records Office (ACRO) and the ACPO Vehicle Crime Intelligence Service (AVCIS). In 2015/16 this arrangement was extended to include the National Wildlife Crime Unit (NWCU) However, in respect of the premises and any prospective redundancy costs, sureties have been received and are held as deposits in the event that the services are discontinued. The sums held represent the liability to pay outstanding leasing payments under the lease and any redundancy costs which may arise. As such, these sums are not premia paid to the Commissioner for bearing a potential risk. Rather, these are deposits held to pay all sums due in the event of either of these services ceasing with insufficient notice to mitigate any residual liabilities. Consequently, there is no recognition of these arrangements as financial guarantees in the statement of accounts.

25.9 Risks

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

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Commissioner;
- Liquidity risk – the possibility that the Commissioner might not have funds available to meet its commitments to make payments;
- Market risk – the possibility that financial loss might arise for the Commissioner as a result of changes in such measures as interest rates or stock market movements.

Credit Risk

Credit risk is the possibility that banks and financial institutions will fail to meet their contractual obligations, causing a loss to the Commissioner. The OPCC manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of BBB+, other local authorities and organisations without credit ratings upon which the Commissioner has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the OPCC has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £12m of the total portfolio is placed on the amount of money that can be invested with a single counterparty. No more than £33m in total can be invested for a period longer than one year.

The OPCC's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of that asset may not be recoverable applies to all of the OPCC's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

The credit quality of £16.2m of the OPCC's investments is enhanced by collateral held in the form of covered bonds collateralised by UK residential mortgages. The collateral significantly reduces the likelihood of the OPCC suffering a credit loss on these investments.

The table below summarises the credit risk exposures of the Commissioner's investment portfolio at 31 March 2016 by type of investment counterparty:

Credit Rating	Long-term		Short-term	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£'000	£'000	£'000	£'000
AAA	0	9,119	0	7,067
AA+	0	0	8,080	1,006
AA	0	0	0	0
AA-	0	0	4,003	7,796
A+	0	0	8,046	3,003
A	0	0	22,923	8,015
A-	0	0	8,531	2,037
AAA Money market funds	0	0	19,458	14,828
Unrated local authorities	10,401	7,036	2,000	9,623
Unrated pooled funds	1,020	2,993	0	0
Total Investments	**11,421**	**19,148**	**73,041**	**53,374**

Note that unrated pooled funds at 31 March 2015 were correctly classified as being held for long-term purposes in the summary table at section 25.1, but was incorrectly classified as being of short-term duration in the above table. To aid comparison and for the purposes of consistency, this sum has been moved from short-term to long-term in the comparator above.

Liquidity Risk

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

The maturity analysis of the principal sums borrowed as at 31 March 2016 is as follows:

Outstanding debt - maturity periods	31 March 2015	% of total debt portfolio	31 March 2016	% of total debt portfolio
	£'000	%	£'000	%
Less than 5 years	5,500	15	4,286	13
Between 5 and 10 years	1,450	4	950	3
Between 10 and 15 years	0	0	0	0
Between 15 and 20 years	18,000	50	21,000	61
Between 20 and 25 years	11,000	31	8,000	23
Total	**35,950**	**100**	**34,236**	**100**

31 March 2015 £'000	Loans and other long term liabilities outstanding (nominal value):	31 March 2016 £'000
35,950	Public Works Loan Board	34,236
216	Temporary borrowing	191
36,166	**Total**	34,427

Note that the loans and other long-term liabilities include accrued interest of £0.191m, which is classified as a short-term liability on the Balance Sheet.

Market Risks

Interest Rate Risk. The Commissioner is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2016, all of the £34.24m of principal borrowed was at fixed rates. The OPCC's investments with less than one year to maturity (£53.18m at 31 March 2016), floating rate notes with more than one year to maturity (£8.00m at 31 March 2016), and pooled property funds (£3.00m at 31 March 2016) are classed as being held at variable rates and exposed to interest rate risk.

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure.

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

	£'000
Increase in interest payable on variable rate borrowing	0
Increase in interest receivable on variable rate investments	(612)
Impact on (Surplus) or Deficit on the Provision of Services	(612)
Decrease in fair value of available for sale financial assets	120
Impact on Comprehensive Income and Expenditure	120

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

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

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

Foreign Exchange Risk. The Commissioner has one significant financial asset denominated in a foreign currency (i.e. Euro), which it holds in a designated Euro currency bank account. Whilst the account balance is included in the Balance Sheet under cash and cash equivalents at the spot exchange rate pertaining on 31 March 2016, this is for accounting and reporting purposes only. The Euro account is held so that the Commissioner can account for the use of the EU grant it relates to and the donor bears the risk of any losses or benefits from any gains arising from movements in exchange rates. The Commissioner therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

26 – Inventories

2014/15 £'000	Consumable Stores	2015/16 £'000
943	**Balance outstanding at start of year**	**1,508**
3,541	Purchases	2,813
(2,974)	Recognised as an expense in the year	(3,282)
(2)	Written off balances	(5)
0	Reversal of write-offs in previous years	0
1,508	**Balance outstanding at year-end**	**1,034**

27 – Short-term debtors

31 March 2015 £'000		31 March 2016 £'000
17,293	Central government bodies	23,900
19,322	Other local authorities	8,888
7	NHS Bodies	3
0	Public corporations and trading funds	0
5,195	Other entities and individuals	6,666
41,817	**Total**	**39,457**

28 – Cash and cash equivalents

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

31 March 2015 £'000		31 March 2016 £'000
45	Cash held by the Authority	26
1,659	Bank current accounts	927
(4,581)	Bank overdrawn	(5,568)
21,461	Call accounts (same day access funds)	19,657
18,584	**Total Cash and Cash Equivalents**	**15,042**

29 – Short-term creditors

29.1 – Short-term creditors - Group

31 March 2015 £'000		31 March 2016 £'000
7,043	Central government bodies	13,831
24,222	Other local authorities	10,347
23	NHS Bodies	6
693	Public corporations and trading funds	0
17,843	Other entities and individuals	14,829
49,824	**Total**	**39,013**

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

29.2 – Short-term creditors - PCC

31 March 2015 £'000		31 March 2016 £'000
7,043	Central government bodies	13,831
24,222	Other local authorities	10,347
23	NHS Bodies	6
693	Public corporations and trading funds	0
14,050	Other entities and individuals	10,759
46,031	**Total**	**34,943**

29.3 – Short-term creditors – CC

31 March 2015 £'000		31 March 2016 £'000
3,793	Other entities and individuals	4,070
3,793	**Total**	**4,070**

30 – Provisions – Current Liabilities

	Redundancy and pension strain £'000	Other Provisions £'000	Total £'000
Balance at 31 March 2015	**(159)**	**0**	**(159)**
Additional provisions made in 2015/16	(45)	0	(45)
Amounts used in 2015/16	143	0	143
Unused amounts reversed in 2015/16	16	0	16
Balance at 31 March 2016	**(45)**	**0**	**(45)**

A provision has been made in the accounts in respect of the costs of redundancies and the additional charges to the employer from the pension fund for those who are eligible to retire early at the point at which they are made redundant. No extra entitlement, such as added years, is generally offered by the Commissioner but pensions must be taken early if the member meets the relevant criteria. Where this is the case the employer has to make a one-off payment to the pension fund so that these benefits can be paid early without a penalty. .

Where staff leave on the 31st March, redundancy payments are not due until after they have left the organisation and charges from the pension fund are also not due until the new financial year. As neither of these amounts can be accrued, there is certainty over both the timing and the amounts due, and a provision should be made.

Whilst not classified as a provision, the Commissioner has recognised that some debts will be impaired on the basis of past experience. The sum recognised is £150,000 (£150,000 as at 31 March 2015). No bad debts and impairments were written off or otherwise accounted for during the year (£Nil in 2014/15).

31 – Usable Reserves

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

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

32 – Unusable Reserves

32.1 Unusable Reserves – Group

31 March 2015 £'000		31 March 2016 £'000
103,644	Capital Adjustment Account	100,247
5,884	Revaluation Reserve	45,714
2,788	Collection Fund Adjustment Account	2,204
20	Available for Sale Financial Instruments Reserve	(11)
(3,793)	Accumulated Absences Account	(4,070)
(3,034,478)	Pensions Reserve	(2,771,687)
(2,925,935)		**(2,627,603)**

The split between the unusable reserves allocated to the Commissioner and the Chief Constable are shown in the following two tables.

32.2 Unusable Reserves – PCC

31 March 2015 £'000		31 March 2016 £'000
103,644	Capital Adjustment Account	100,246
5,884	Revaluation Reserve	45,715
2,788	Collection Fund Adjustment Account	2,204
20	Available for Sale Financial Instruments Reserve	(11)
112,336		**148,154**

32.3 Unusable Reserves –CC

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

32.4 Reserves – Capital Adjustment Account

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

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

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

2014/15 £'000		2015/16 £'000	2015/16 £'000
103,042	**Balance at 1 April**		**103,644**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(7,097)	• Charges for depreciation and impairment of non-current assets	(7,546)	
0	• Revaluation losses on Property, Plant and Equipment	(5,541)	
(1,608)	• Revenue expenditure funded from capital under statute	(3,792)	
(2,111)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,343)	
(10,816)	**Sub-Total**		**(22,222)**
143	Adjusting amounts written out of the Revaluation Reserve		1,678
(10,673)	Net written out amount of the cost of non-current assets consumed in the year		**(20,544)**
	Capital financing applied in the year:		
4,048	• Use of the Capital Receipts Reserve to finance new capital expenditure	6,278	
1,788	• Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure	4,978	
3,521	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,329	
1,239	• Statutory provision for the financing of capital investment charged against the General Fund balance	1,664	
701	• Voluntary provision for the financing of capital investment charged against the General Fund balance	0	
11,297	**Sub-Total**		**17,249**
(22)	Write-down of capital debtors		**(102)**
103,644	**Balance at 31 March**		**100,247**

32.5 Reserves – Revaluation

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

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

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

2014/15 £'000		2015/16 £'000
5,810	**Balance at start of year**	**5,884**
995	Revaluations during year	41,508
(779)	Impairments of previously revalued assets	0
0	Disposal of revalued assets	(978)
(142)	Depreciation of revaluations	(700)
5,884	**Balance at end of year**	**45,714**

32.6 Reserves – Collection Fund Adjustment Account

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

2014/15 £'000		2015/16 £'000
2,440	**Balance at start of year**	**2,788**
348	Collection Fund net debtor/(creditor) at 31 March - monies owed by/(to) billing authorities	(584)
2,788	**Balance at end of year**	**2,204**

32.7 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)	**Balance at start of year**		**(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)
(3,793)	**Balance at end of year**		**(4,070)**

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).

32.8 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
(2,651,217)	**Balance at start of year**	**(3,034,477)**
(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
(3,034,477)	**Balance at end of year**	**(2,771,687)**

33 – Audit costs

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

2014/15 £'000		2015/16 £'000
	Police and Crime Commissioner:	
(14.0)	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
55.0	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	48.2
0.0	Fees payable to the Audit Commission in respect of the National Fraud Initiative	0.0
0.0	Other services provided by EY	0.0
	Chief Constable:	
(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
60.0		**70.3**

Fees payable by the PCC and the Chief Constable in 2015/16 were greater than the scale fee by £7,035 and £3,312, respectively. This was a consequence of additional charges for the audit of the 2014/15 statements of accounts as a result of work on system walkthroughs, due to a change in accounting system during the year, and a move to a substantive approach to the audit which led to more sampling of transactions at the year end.

34 – 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.

35 – Contingent assets

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

36 – Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 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.

One key event happened 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 23rd 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 Commissioner's and Group'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 Commissioner 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.

37 – Other disclosures

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

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

38 – Notes to the cash flow statement 2015/16 - Group

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

2014/15 £'000		2015/16 £'000
(132,910)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(124,989)
	Analysis:-	
(123,290)	- Pensions	(115,588)
(6,978)	- Depreciation and impairment charged to CIES	(13,087)
0	- Revaluation adjustments	0
2,206	- Increase/(Decrease) in Debtors	(2,360)
(3,377)	- (Increase)/Decrease in Creditors	11,716
565	- Increase/(Decrease) in Inventories	(474)
192	- (Increase)/Decrease in Provisions	114
(2,110)	- Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(5,343)
(118)	- Other non-cash items charged to the net surplus or deficit on the provision of services	33
(132,910)		(124,989)

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

2014/15 £'000		2015/16 £'000
5,674	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	9,803
	Analysis:-	
2,956	- Proceeds from the sale of PP&E, investment property and intangible assets	6,176
3,521	- Capital grant (included within investing activities)	4,329
(803)	- Any other items for which the cash effects are investing or financing cash flows	(702)
5,674		9,803

38.3 Investing activities

2014/15 £'000		2015/16 £'000
9,790	Purchase of property, plant and equipment, investment property and intangible assets	18,543
469,379	Purchase of short-term and long-term investments	86,660
0	Other payments for investing activities	0
(2,956)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,176)
(446,727)	Proceeds from short-term and long-term investments	(96,797)
(3,533)	Other receipts from investing activities	(4,467)
25,953	**Net cash outflow/(inflow) from investing**	**(2,237)**

Note that the purchase of investments and proceeds from the same are those relating to financial instruments only. These net off to agree with the movement of these two items on the balance sheet. In 2014/15 these include those in relation to investments which were of a cash or cash equivalent nature, but they do net off to the balance sheet movement. As this is not a material change in terms of the primary statement, the comparators for 2014/15 are not restated.

38.4 Financing activities

2014/15 £'000		2015/16 £'000
0	Cash receipts of short- and long-term borrowing	0
(709)	Other receipts from financing activities - interest received	(756)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
1,925	Repayment of short- and long-term borrowing	1,427
1,512	Other payments for financing activities - interest paid	1,458
2,728	**Net cash outflow/(inflow) from financing**	**2,129**

38.5 Cash and cash equivalents

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

2014/15 £'000		2015/16 £'000
45	Cash held	26
1,659	Bank current accounts	927
(4,581)	Bank overdraft	(5,568)
21,461	Surplus cash deposited with approved counterparties (on immediate call)	19,657
18,584	**Total Cash and Cash Equivalents**	**15,042**

39 – Notes to the cash flow statement 2015/16 - PCC

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

2014/15 £'000		2015/16 £'000
(10,334)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(9,124)
	Analysis:-	
0	- Pensions	0
(6,978)	- Depreciation and impairment charged to CIES	(13,087)
0	- Revaluation adjustments	0
2,206	- Increase/(Decrease) in Debtors	(2,360)
(4,091)	- (Increase)/Decrease in Creditors	11,993
565	- Increase/(Decrease) in Inventories	(474)
192	- (Increase)/Decrease in Provisions	114
(2,110)	- Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(5,343)
(118)	- Other non-cash items charged to the net surplus or deficit on the provision of services	33
(10,334)		(9,124)

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

2014/15 £'000		2015/16 £'000
5,674	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	9,803
	Analysis:-	
2,956	- Proceeds from the sale of PP&E, investment property and intangible assets	6,176
3,521	- Capital grant (included within investing activities)	4,329
(803)	- Any other items for which the cash effects are investing or financing cash flows	(702)
5,674		9,803

39.3 Investing activities - PCC

2014/15 £'000		2015/16 £'000
9,790	Purchase of property, plant and equipment, investment property and intangible assets	18,543
469,379	Purchase of short-term and long-term investments	86,660
0	Other payments for investing activities	0
(2,956)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,176)
(446,727)	Proceeds from short-term and long-term investments	(96,797)
(3,533)	Other receipts from investing activities	(4,467)
25,953	**Net cash outflow/(inflow) from investing**	**(2,237)**

39.4 Financing activities – PCC

2014/15 £'000		2015/16 £'000
0	Cash receipts of short- and long-term borrowing	0
(709)	Other receipts from financing activities - interest received	(756)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
1,925	Repayment of short- and long-term borrowing	1,427
1,512	Other payments for financing activities - interest paid	1,458
2,728	**Net cash outflow/(inflow) from financing**	**2,129**

39.5 Cash and cash equivalents - PCC

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

2014/15 £'000		2015/16 £'000
45	Cash held	26
1,659	Bank current accounts	927
(4,581)	Bank overdraft	(5,568)
21,461	Surplus cash deposited with approved counterparties (on immediate call)	19,657
18,584	**Total Cash and Cash Equivalents**	**15,042**

40 – Notes to the cash flow statement 2015/16 - CC

40.1 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

40.2 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)

2014/15	Police Pension Fund Account	2015/16
£'000	**Contributions receivable**	£'000
	- 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)
	Transfers in	
(270)	- individual transfers in from other schemes	(819)
	Benefits payable	
68,338	- pensions	71,113
16,159	- commutations and lump sum retirement benefits	25,737
79	- lump sum death benefits	111
	Payments to and on account of leavers	
9	- refunds of contributions	3
1,386	- individual transfers out to other schemes	637
40,159	**Net amount payable for the year**	**54,288**
(40,159)	**Additional contribution from the Commissioner**	(54,288)
0		0

2014/15	Net Assets Statement	2015/16
£'000		£'000
	Current Assets	
0	- contributions due from employer	0
0	- other current assets	0
	Current Liabilities	
0	- unpaid pension benefits	0
0	- amount due to sponsoring department	0
0	- other current liabilities	0
0		0

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

Most payments and employer contributions in respect of the police pension schemes are reported in the Police Pension Fund Account. Other pension costs are charged to the Comprehensive Income and Expenditure Statement. This includes the on-going costs and commuted lump sums in respect of officers who are awarded injury pensions, which totalled £1.88m 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 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.

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

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

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

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

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

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

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

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

Debtors
Individuals or organisations who owe the Commissioner money.

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

Financial Instruments Adjustment Account
A Balance Sheet account which records the adjustments made to the value of assets and liabilities as a result of showing these at fair value or amortised cost on initial recognition and the subsequent accounting entries required to write the value of these assets and liabilities back up to the actual sum due or payable at the end of its expected life.

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

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

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

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

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

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

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

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

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