

Chief Constable for Hampshire

Statement of Accounts 2016/17

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Introduction

The Statement of Accounts sets out the overall financial position of the Chief Constable of Hampshire Constabulary for the year ending 31 March 2017. 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 2016/17*. This narrative provides a brief explanation and overview of the financial performance and activities during 2016/17.

The Chief Constable

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

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

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

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

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

Narrative Statement

The Police and Crime Plan sets out the Commissioner's vision and priorities for policing and community safety across Hampshire and the Isle of Wight and is available on the Commissioner's website at www.hampshire-pcc.gov.uk. The vision of the Commissioner is to make Hampshire and the Isle of Wight safer.

The Chief Constable has set a new purpose and six key areas of focus for the Constabulary. 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 2 million. Further information on achievements and development can also be found on the Commissioner's website and on the Chief Constable's website at www.hampshire.police.uk

Statement of Accounts

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

The Home Office has produced a Financial Management Code of Practice (FMCP) which sets out the responsibilities of the respective Chief Finance Officers. This was updated by the Home Office in 2013.

The Police Reform and Social Responsibility Act 2011 outlined a two-staged approach to the establishment of the office of the Police and Crime Commissioner and the relationship between Commissioners and Chief Constables. The FMCP outlines how the two bodies should work together in managing the finances and covers such things as schemes of consent and delegation which identify what powers the Commissioner delegates. At stage one, all of the assets and liabilities of the Police Authority were transferred to the Commissioner. The stage two transfer identifying what assets and liabilities transferred from the Commissioner was agreed by the Home Secretary and was formally made on 1 May 2014. This had the effect in Hampshire of providing legal form to the relationship between the two parties - the financial effects of which are now embodied in these accounts – rather than entailing any material change to the substance of the relationship between the Commissioner and the Chief Constable.

The Chief Constable's Statement of Accounts for 2016/17 consists of the following:

- Statement of Responsibilities for the Statement of Accounts – Page 13
- Independent Auditor's Report – Page 14
- Annual Governance Statement – Page 18
- Expenditure and Funding Analysis – Page 28
- Comprehensive Income and Expenditure Statement – Page 29
- Movement in Reserves Statement – Page 30

Narrative Statement

- Balance Sheet - Page 31
- Cash Flow Statement – Page 32
- Notes to the Accounts – Page 33
- Police Pension Fund Account – Page 73

Relationship between Accounting Statements

The different accounting statements are linked in several important ways. The Expenditure and Funding Analysis compares the net expenditure as funded by taxation with the accounting cost of providing services as presented in the Comprehensive Income and Expenditure Statement.

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. 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 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.

Changes to the Accounts - Expenditure and Funding Analysis

The Code of Practice 2016/17 introduced a requirement to present an Expenditure and Funding Analysis (EFA) as a replacement for the previous Service Reporting Code of Practice format. The EFA shows how annual expenditure is used and funded from resources (government grants, rents, council tax precept and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Whilst the EFA is not a main accounting statement, it provides an important analysis for the reader of the accounts. The Code requires the EFA to be given due prominence in the financial statements in accordance with the needs of the user. As a link between the budget (i.e. management accounts) and the statutory accounts (i.e. the financial accounts), the EFA is presented before the main statements in this document.

Significant changes in accounting policies

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

Narrative Statement

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

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

c) Reliability

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

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

d) Comparability

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

The application of the terms, accounting policies and requirements of the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in England (2013) Statement of Recommended Practice and the Service Reporting Code of

Narrative Statement

Practice is the way in which the Chief Constable has ensured consistency of financial information in the financial statements leading to comparability.

Review of the year

Financial Overview (including economic climate)

In February 2016, the Commissioner approved funding for a net revenue budget for 2016/17 for the Group of £303.5m. A 0.6% cash cut in central government grant funding was partially offset by a 1.99% precept increase.

Pensions

The net pension liability has increased by £660m from £2,772m at 31 March 2016 to £3,432m at 31 March 2017. The assessed share of the value of the plan assets of the Local Government Superannuation scheme showed an increase of £36m while the assessed present value of the liabilities on all pension schemes increased by £696m.

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 difference between pension fund outgoings and incomings is met by top-up grant from the Home Office. Therefore, the statutory arrangements for funding the liability mean that the Constabulary'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.

All reserves are held by the Commissioner with two exceptions; the accumulated absences account and the pensions reserve. Both of these reserves are unusable (ie not cash-backed). The balance on the accumulated absences account at 31 March 2017 was £4.164m (£4.070m at 31 March 2016) and the balance on the pensions reserve was £3,432.1m (£2,771.7m at 31 March 2016).

Material Assets Acquired or Liabilities Incurred

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

Unusual Charges or Credits within the accounts

There were no unusual charges or credits in the accounting period.

Significant Provisions or Contingencies

As a result of the adoption of International Financial Reporting Standards (IFRS), the Constabulary 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 2017 was £4.164m (£4.070m as at 31 March 2016).

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Events after the Reporting Period

Whilst not an event after the reporting period *per se* 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. Furthermore, a general election has been called for 8 June 2017.

These decisions have 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 and the review of the funding formula.

For the purposes of these financial statements, the general election 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, Police ICT Company, the South East Region Organised Crime and South East Counter Terrorism Unit. There is increasing national co-ordination through the Policing Vision 2025 and Police Transformation Fund. A South East Region Integrated Processes (SERIP) team has been created to co-ordinate collaboration within the region.

Hampshire Constabulary and Thames Valley Police have also created a bilateral partnership. The Commissioner has entered into a collaboration agreement with Thames Valley in order to create a joint Information & Communications Technology (ICT) and Information Management department, with a shared Assistant Chief Officer having direct responsibility for the provision of ICT and information management assurance for both Forces. A Joint Operations Unit has also been created using another collaboration agreement with Thames Valley Police allowing strategic operations, roads policing, firearms and dogs units, to be delivered in collaboration between the two forces across departmental and geographical boundaries. A new collaboration agreement was signed in 2016/17 for Contact Management with a new £27m contact management solution due to be rolled out across Thames Valley and Hampshire in 2017/18.

The Constabulary has an active programme of collaboration with Hampshire Fire and Rescue Services. This already includes the sharing of buildings, including a shared headquarters.

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, human resources, facilities management and procurement across the three organisations. Internal audit and pensions services have subsequently been added. 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.

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Hampshire Constabulary is collaborating with Hampshire County Council on a joint laboratory facility and with the University of Portsmouth on a shared Digital Forensics centre of excellence.

The ACPO Criminal Records Office and its associated national units are hosted by Hampshire. New collaborative agreements in respect of ACRO were signed by 41 of the 43 forces in England and Wales as at 31 March 2017.

Performance

The financial performance 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 are available on the website. Strategic risk registers are reported to each meeting of the Joint Audit Committee.

During 2016/17 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 - <https://www.justiceinspectors.gov.uk/hmic/peel-assessments/peel-2016/hampshire/> – and the outcome was that the HMIC graded the Constabulary 'good' in efficiency and legitimacy but requiring improvement in effectiveness. The following observations were made by Her Majesty's Inspectorate:-

- “I am satisfied with most aspects of Hampshire Constabulary's overall performance. However, there are some areas that the force needs to improve to provide a consistently good service”;
- “I am pleased with Hampshire Constabulary's approach to preventing crime and tackling anti-social behaviour. The force is to be commended for its commitment to neighbourhood policing. Over the past year it has reduced reports of anti-social behaviour by a greater proportion than most other forces”;
- “Some of the work the force does on predicting future demand is outstanding and this has allowed it to identify where it needs enhance its capability to address future crimes, such as internet crime. It is working with Thames Valley Police on plans to transform how it provides services by ambitious use of technology. The force has made good use of mobile devices to allow frontline staff to spend more time in public by negating the need to return to a police station to use a computer.”

Whilst overall the grading was 'good' under the 'efficiency' heading, the HMIC graded some elements of efficiency as outstanding. It concluded that:-

- “Hampshire Constabulary is good overall in the way that it plans for the demand for its services in the future, with some elements of its approach being outstanding.
- It is good at identifying and prioritising areas to invest in the future. This is based on realistic and prudent assumptions. However, the force shows particular strength in its comprehensive and ambitious plans to transform service delivery through ICT. In developing these plans, it has brought in expertise, worked collaboratively with partners and consulted the public. It has also begun a second organisational change programme (HC2020) through which it plans to create a workforce with the required capabilities to deal with its future demands, although workforce planning is in its early stages. This, together with its investment in IT, represents a forward-looking, sustainable approach to

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transforming services, while recognising the need to live within a reducing budget, and a relentless approach to identifying further opportunities to reduce costs.”

- “The detailed financial plans are sound and based on reasonable assumptions about the future.”
- “The force has a good track record of achieving the efficiencies required of it.”

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 pension schemes (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 precept each year certain charges, such as depreciation of assets and the accrual of retirement benefits, should not be borne by the general fund. The management accounts which are reported to the Commissioner throughout the year exclude such charges and accounting adjustments and are used by the Commissioner in monitoring the budget, as well as informing him in setting the precept for the following year. The management accounts provide for the cost of financing capital expenditure, revenue contributions and actual in year employer’s contributions to the pension fund instead of the charges for the pension scheme and depreciation.

As the accounts are prepared in accordance with the requirement of IAS 19 the cost of retirement benefits are recognised within the Comprehensive Income and Expenditure Statement and the liability relating to pensions schemes is included within the long term liabilities on the Balance Sheet. These liabilities totalled £3,432m at 31 March 2017 which has resulted in an overall negative balance of £3,182m. However finance is only required for the police pensions when the amounts are actually paid.

Revenue Expenditure

In 2016/17, the reported outturn position, subject to audit, was net expenditure of £302.0 m 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.

The table below contains an 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 summary below shows net contributions to reserves of £1.387m. 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, including usable reserves which were used in the financing of the capital programme, total usable reserves had decreased by £1.327m at 31 March 2017.

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Outturn 2016/17	Budget	Actuals	Variance
	£'000	£'000	£'000
Funding	(303,352)	(303,404)	(52)
Expenditure owned by the PCC			
Office of the PCC	1,542	1,541	(1)
Commissioning	1,301	1,301	0
Estates	13,473	13,488	15
Capital Financing	3,095	2,840	(255)
Interest on balances	(500)	(778)	(278)
Contributions to/ (from) reserves	1,627	2,147	520
Net expenditure owned by the PCC	20,538	20,539	1
Police Service			
Employee related	240,832	239,234	(1,598)
Transport	6,452	5,997	(455)
Supplies and Services	77,605	77,809	204
Premises	761	894	133
Income	(42,836)	(42,456)	380
Net Police Service	282,814	281,478	(1,336)
Net total expenditure	303,352	302,017	(1,335)
Net total funding/expenditure	0	(1,387)	(1,387)

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Reconciliation to the Comprehensive Income and Expenditure Statement

The table below reconciles the management accounts, as per the previous table, with the financial accounts presented herein.

	Actuals as per outturn report £'000	Adjustments between accounting and funding basis £'000	Adjustments for other amounts not included in CIES £'000	Net cost of services in the CIES £'000
Expenditure owned by the PCC				
Office of the PCC	1,541	0	401	1,942
Commissioning	1,301	0	521	1,822
Estates	13,488	16,264	1,509	31,261
Capital Financing	2,840		(2,840)	0
Interest on balances	(778)		778	0
Contributions to/from reserves	2,147		(2,147)	0
Net expenditure owned by the PCC	20,539	16,264	(1,778)	35,025
Police Service				
Employee related	239,234	5,114		244,348
Transport	5,997			5,997
Supplies and Services	77,809		(2,602)	75,207
Premises	894			894
Income	(42,456)			(42,456)
Net Police Service	281,478	5,114	(2,602)	283,990
Other items not allocated to services	0	(5,337)	(756)	(6,093)
Net cost of Policing Services	302,017	16,041	(5,136)	312,922
Other (income)/expenditure	0	92,640	(312,358)	(219,718)
(Surplus)/deficit on the provision of services	302,017	108,681	(317,494)	93,204

This table shows that there was a deficit of £93.20m on the provision of services for 2016/17 in the statutory financial statements for the group as a whole (£118.84m deficit in 2015/16). This reflects the different basis on which the Statement of Accounts is prepared. Thus, 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 2016/17 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.

Narrative Statement

Future Prospects

Budget 2017/18, Capital Programme and Medium Term Financial Strategy

The budget for 2017/18, Capital Programme and Medium Term Financial Strategy were approved by the Police and Crime Commissioner in February and published on the website.

The budget for 2017/18 includes a precept rise of £5 on a Band D property in line with the referendum limit set by Government and taking into account the supportive views of the public consultation and Police and Crime Panel. A balanced budget of £306.0m was set for 2017/18. However, the Medium Term Financial Strategy showed a projected deficit of £23m by 2020/21. Plans are already in place to deliver £10m of savings to assist with meeting the gap in 2018/19. Further decisions are planned at the end of 2017 as the funding position is expected to become clearer.

The capital programme includes £33.0m of planned expenditure. Of this amount £28.0m relates to new estate, £2.7m relates to technology and £2.3m relates to replacement vehicles. This is funded by £10.2m of in-year capital receipts, £1.2m from capital grant, £1m from revenue contributions and £1m from reserves with the remainder to be funded from borrowing.

Treasury Management Strategy

The Treasury Management Strategy and Investment Strategy is approved annually by the Police and Crime Commissioner and published on the website. The document contains a more detailed explanation of the economic outlook and the agreed prudential indicators. The authorised borrowing limit was £72m for 2016/17 and is £91m for 2017/18. Debt (£33.0m) did not exceed the Capital Financing Requirement of £40.9m at 31 March 2017.

Environment

The Constabulary will need to continue to operate within a challenging environment. This includes political uncertainty caused by the General Election and Brexit negotiations and financial uncertainty due to the potential for new Government policies and the review of the funding formula for police.

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

Statement of Responsibilities – PCC and Group Accounts

The Chief Constable's Responsibilities

The Chief Constable is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

Certification of Accounts

The Chief Finance Officer's Statement

I certify that the Statement of Accounts for 2016/17 give a true and fair view of the financial position of the Chief Constable at 31 March 2017 and the income and expenditure for the year then ended

Signed:

Date:

Approval of the Accounts by the Chief Constable

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by me on 21 September 2017

Signed:

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF HAMPSHIRE

Opinion on the Chief Constable for Hampshire's financial statements

We have audited the financial statements of the Chief Constable of Hampshire for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- related notes 1 to 22;
- Expenditure and Funding Analysis to the Constabulary Accounts; and
- Police Pension Fund Account.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the Chief Constable of Hampshire in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of Hampshire, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts 2016/17 set out on page 13, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Hampshire circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is

apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Hampshire as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Constabulary;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources

Chief Constable's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2016, we are satisfied that, in all significant respects, the Chief Constable in Hampshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable of Hampshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Maria Grindley (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
21 September 2017

Annual Governance Statement for Hampshire Constabulary

1. Scope of Responsibility

1.1 Hampshire Constabulary is responsible for ensuring that:

- its business is conducted in accordance with the law and to proper standards.
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy.
- there is a sound system of internal control which facilitates the effective exercise of the Constabulary's functions and which include arrangements for the management of risk.

1.2 This Statement explains how the Constabulary has complied with the Code and meets with the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement during 2016-2017.

2. The purpose of Corporate Governance

2.1 The governance framework comprises the systems and processes, and cultures and values, by which the Constabulary is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Constabulary to monitor the achievements of the Constabulary's strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

2.3 The governance framework has been in place at Hampshire Constabulary for the year ending 31 March 2017 and up to the date of approval of the annual report and the statement of accounts.

2.4 The Constabulary has approved and adopted a Scheme of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The Scheme of Corporate Governance is reviewed at the Joint Audit Committee annually. Agendas and minutes of the Joint Audit Committee are published on the website.

2.5 The CIPFA/SOLACE framework identifies seven principles of good governance:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

2.6 The first two principles underpin the whole 2016 framework and are implicit in the remaining five principles.

3. Core Principles of good governance

3.1 Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

3.1.1 The Constabulary's operates in an open and transparent way and the Chief Constable sets the tone for the organisation by creating a climate and culture of openness, support, and respect. The Constabulary has fully adopted the Code of Ethics and this is emphasised in its inclusion as one of the six key areas of focus set out by the Chief Constable.

3.1.2 The Constabulary is committed to the highest ethical standards and has adopted a governance framework to re-enforce this philosophy as well as procedures to investigate any issues should the need arise. The framework, policies and procedures are set out in the Constabulary's Scheme of Corporate Governance. The Scheme of Corporate Governance demonstrates a comprehensive commitment on the part of the Constabulary to integrity, ethical values and the rule of law.

3.1.3 An Ethics Committee has been created to advise the Chief Constable on items that require ethical consideration and to promote the Code of Ethics within the Constabulary.

3.1.4 The key governance legal powers and responsibilities within the Constabulary are set out in legislation and statutory guidance (especially the Police Reform and Social Responsibility Act 2011, Policing Protocol Order 2011, Financial management Code of Practice 2013 and Strategic Policing Requirement 2015), the Scheme of

Delegation, Financial Regulations and Contract Standing Orders. These are referenced in the Scheme of Corporate Governance.

3.2 Ensuring openness and comprehensive stakeholder engagement.

3.2.1 The Chief Constable has set out the Constabulary's purpose and six key areas of focus. The clear strategic aims of which are communicated on the Constabulary's website and through various communications. This provides an operating model for business planning and is informed by various departmental and partnership strategies and priorities. The image below shows the purpose in the centre surrounded by the six key areas of focus:



- 3.2.2 The Constabulary has a clear governance framework for corporate decision making. Operational decision making is covered by standard practices and the use of decision logs. Corporate decisions are made at minuted meetings. It should be noted that some decisions that affect the Constabulary are made by the Police and Crime Commissioner. Police and Crime Commissioner decisions have clear guidance and protocols on decision making and templates for decision reports. All decisions are published, albeit that consideration is given to redacting some elements where this is necessary and proportionate.
- 3.2.3 Public consultation to inform decision making is undertaken where warranted. The Constabulary has access to consultation undertaken by the Police and Crime Commissioner as well as systematic data gathered from surveying of victims and the wider public. Other consultation is undertaken such as via the Joint Audit Committee, Independent Advisory Group, Ethics Committee and local consultations.

3.3 Defining outcomes in terms of sustainable economic, social and environmental benefits.

3.3.1 The strategic aims set out in the purpose and six key areas of focus underpin the Constabulary's overarching ambitions for delivering positive economic, social and environmental outcomes for Hampshire and the Isle of Wight. The Constabulary must also have regard to the Police and Crime Plan which also sets out the Police and Crime Commissioner's vision, priorities and mission. The performance of the Constabulary is monitored internally and the Police and Crime Commissioner holds the Chief Constable to account on a regular basis.

3.4 Determining the interventions necessary to optimise the achievement of the intended outcomes.

3.4.1 Clear guidance and protocols for decision making and the involvement of legal and finance officers in all significant decisions of the Constabulary ensures that decisions are only made after relevant options have been weighed and associated risks assessed. Details of the guidance and protocols are set out in the Scheme of Corporate Governance.

3.4.2 Equality Impact Assessments (EIAs) are used to assess the impact of significant proposals and to inform decision making.

3.4.3 The budget setting process is well established and ultimately the budget is set by the Police and Crime Commissioner after proposals on the council tax precept are consulted upon with the public and scrutinised in public by the Police and Crime Panel. The budget is set in the context of achieving the Police and Crime Plan and the purpose of the Constabulary.

3.4.4 A medium term financial strategy and capital programme is updated each year together with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic and economic factors that impact on the financial environment in which the Constabulary operates.

3.4.5 Risks associated with the achievement of intended outcomes are detailed in Risk Registers held at strategic corporate, portfolio and project level. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation.

3.5 Developing the entity's capacity including the capability of its leadership and the individuals within it

3.5.1 The Constabulary places a significant value of the capability of leadership. Courses are run in-house and available externally, for example via the College of Policing. Each individual has a Personal Development Review on a regular basis with their line manager to ensure that any skill gaps are addressed and to discuss opportunities for development.

3.5.2 The Constabulary regularly reviews the shape of its workforce against the needs of the service in the context of its capacity and capability requirements. This then

informs a range of strategies, for example; recruitment, retention and people development in order to provide effective leadership and deploy appropriate resources to meet the needs of services.

- 3.5.3 There is an emphasis on the need for high performance, of which resilience and continuous development play key parts, both of which factor in the regular discussions between managers and staff.

3.6 Managing risks and performance through robust internal control and strong public financial management.

- 3.6.1 The Constabulary operates a robust Risk Management Strategy, with oversight of those arrangements provided by the Risk and Learning Board and reports to the Joint Audit Committee. The Joint Audit Committee has provided significant guidance and advice for the enhancement of the risk management arrangements.
- 3.6.2 Each part of the Constabulary has its own Board to identify and manage risks within their part of the organisation and escalate those to the strategic risk register for consideration at the Risk and Learning Board where they meet the threshold.
- 3.6.3 An Information Governance Board is in place that is chaired by the Senior Information Risk Officer and reports into the Risk and Learning Board.
- 3.6.4 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources.
- 3.6.5 The Internal Audit Plan 2016/17 was developed to operate at a strategic level providing a value adding, and proportionate, level of assurance aligned to the Constabulary's key risks and objectives, this includes a periodic review of the Constabulary's risk management processes.
- 3.6.6 The audit plan remains fluid to ensure internal audit's ability to react to the changing needs of the Constabulary.
- 3.6.7 The internal audit plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an embedded Counter Fraud & Corruption Strategy and Policy and Anti Bribery Act Policy.
- 3.6.8 The delivery of the internal audit plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to the Joint Audit Committee, Police and Crime Commissioner and Chief Constable.
- 3.6.9 The Joint Audit Committee is well established and provides independent advice to the Chief Constable. Members of the Joint Audit Committee have no executive responsibility for the management of the organisation, thus ensuring that they are sufficiently independent to scrutinise and challenge matters brought to their attention.

- 3.6.10 The Joint Audit Committee has a clear 'Terms of Reference' providing an effective source of scrutiny, challenge and assurance regarding the arrangements for managing risk and maintaining an effective control environment.
- 3.6.11 The Constabulary has a well-developed and effective scrutiny function via the Police and Crime Commissioner.
- 3.6.12 The Constabulary has strong financial management arrangements at both the strategic and operational level and consistently obtains unqualified opinions for its annual accounts and value for money assessment. The Section 151 Officer is a member of the Chief Officers Group and all formal financial decision making has the benefit of the advice and review of the Chief Financial Officer or their representative.
- 3.6.13 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.
- 3.6.14 Financial management in key risk areas across the Constabulary focusses on activity and performance management alongside the budget management processes and the financial management framework throughout all tiers of the organisation is appropriately advised and supported by the Finance function.

3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.

- 3.7.1 The decision making guidance, protocols and templates referred to in the Scheme of Corporate Governance and the involvement of senior officers, legal officers and finance officers ensures that public reports are written in a clear and accessible way with sufficient information to enable members of the public to formulate informed opinions on the matters for decision.
- 3.7.2 The corporate Force Performance Group framework provides a transparent cycle of reporting on core performance metrics. Performance information is published online and is easily accessible to staff, partners and the public.
- 3.7.3 The 'Internal Audit Charter' is presented annually for approval by the Joint Audit Committee. The Charter makes provision that where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to the Joint Audit Committee.
- 3.7.4 The ongoing work of internal audit is presented through a quarterly progress report to the Joint Audit Committee providing an overview of service performance; delivery against the plan; and progress made by the organisation in the implementation of management actions agreed to mitigate risks identified through internal audit work.
- 3.7.5 Representatives of External Audit routinely attend Joint Audit Committee meetings and present all External Audit reports. Any recommendations for corrective action detailed within External Audit reports are highlighted to the Joint Audit Committee who will track through to implementation. This is achieved through the clear and

concise nature of the minutes to each meeting couple with the inclusion of any overdue recommendations within the internal audit progress report.

- 3.7.6 The internal audit plan includes provision to review the Constabulary's approach to governance, risk and controls for partnership working. Such reviews are formally reported through the Joint Audit Committee with any significant issues highlighted accordingly.
- 3.7.7 Where appropriate internal audit will gain assurances from third parties to contribute to their overall assurance opinion.

4 Obtain assurances on the effectiveness of key controls

- 4.1 Key controls relating to risks, internal control (including financial management), and governance processes are identified by managers as part of the governance framework and recorded on risk registers. These are consolidated into the strategic risk register at a corporate level.
- 4.2 Internal Audit, as part of its planned review of internal controls regularly evaluates the key controls to determine their adequacy and also carries out tests to confirm the level of compliance. Together the results of each review enable an audit opinion on effectiveness to be provided to management, and any actions for improvement to be agreed.
- 4.3 External sources of assurance include the annual opinion and value for money conclusion by external auditors, and statutory inspections by Her Majesty's Inspector of Constabulary (HMIC). These reports are subject to consideration by senior management and appropriate responses are agreed to any recommendations for improvements. The reports are normally approved in public and published. External sources of validation are being increasingly used to inform assessment of the organisations performance.
- 4.4 In conjunction with specialist Internal Audit support, the Constabulary has also applied the CIPFA Counter Fraud self-assessment tool to identify potential opportunities for enhancement.

5 Evaluate assurances and identify gaps in control/assurance

- 5.1 The Constabulary has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify weaknesses in controls.
- 5.2 Each board within the Constabulary has assessed risk and reported significant risks via the governance framework for inclusion within the Strategic Risk Register. The internal audit plan and reports have assisted the assessment of risk in business areas that are higher risk.
- 5.3 The Constabulary has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the officers within the

Constabulary who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

- 5.4 The Chief Internal Auditor has evaluated the reports from the internal and external assurance providers which have also been reported to the Joint Audit Committee. This Annual Governance Statement sets out the Constabulary's arrangements for receiving reports and identifying weaknesses in internal control.
- 5.5 In line with the Internal Audit Charter, the key elements of the corporate governance framework are risk assessed and reviewed periodically by Internal Audit.
- 6 Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance**
- 6.1 The projected reductions in government grant funding present a risk that either savings are not delivered in time or that savings are delivered in a way that reduces services levels. Work has already begun, within the Force Development Programme, on efficiency initiatives that will deliver cost reductions without adversely impacting upon effectiveness.
- 6.2 The recent HMIC review of effectiveness identified some concerns for HMIC with the processes for dealing with incidents of reported domestic abuse, although it was acknowledged by HMIC that Hampshire Constabulary does treat domestic abuse seriously and that there was no evidence of any adverse impact on the victims of domestic abuse. Nevertheless, as a result of the concerns raised the Constabulary made an immediate change to how domestic abuse incidents are responded to. This change is already producing an increase in arrest rates for domestic abuse but it will be an area for continued focus.
- 6.3 A significant risk was highlighted for summer resourcing. The Constabulary faces increased demand in the summer which is more challenging to respond to with the reduced resources available. A gold group was set up to consider how resource can be best used through this period to meet the demand and how demand may be reduced. Liaison with public event organisers has resulted in a planned reduced police presence at some events and greater use of the Special Constabulary is planned to assist but internal resources will still need to be redistributed to best meet the forecast demand. This is made possible by the central resource management now in place.
- 6.4 The Constabulary has undertaken and will continue to undertake comprehensive demand mapping and forecasting to assess the current and future delivery and skills gaps. An updated People Strategy will identify the skill sets required to deliver performance now and in the future and put in place a programme of work to recruit and train personnel in the required roles and with the required skill sets. This is fully integrated to the change programmes and medium term financial strategy to ensure that the plans are deliverable, affordable and sustainable.

- 6.5 The Constabulary is developing and enhancing the health and wellbeing strategy. In particular, plans will be put in place to reduce the time for persons referred to Occupational Health to be seen.
- 6.6 The 'role of the manager' review within shared services was completed in 2016/17 but the implementation will take place in 2017/18 after changes to the system and processes are put in place.
- 6.7 The Constabulary has a suite of policies and procedures that set out more detailed requirements. It was noted in 2015/16 that some policies and procedures were past their date for review. In many cases, those procedures will be low risk where no changes may be necessary but a programme of work is underway to ensure that all policies and procedures are updated. Higher risk policies and procedures were prioritised for review. Updated corporate support policies and procedures will be available via new webpages that will go live when the 'role of the manager' changes are implemented.
- 6.8 The Joint Audit Committee's terms of reference and arrangements for review of effectiveness were scheduled for a review, however, this had to be delayed to allow new members of the Joint Audit Committee to be recruited and inducted as the term of two of the previous members of the Committee expired. The terms of reference and arrangements for review of effectiveness will need to be reviewed in 2017/18.
- 7 There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored**

In response to the Action Plan identified in the 2016/17 Annual Governance Statement:

- 7.1 The Constabulary aimed to better set out the key principles that it is working to. The previous collection of statements such as the mission and vision were replaced in 2016/17 by the Constabulary's new purpose and six key areas of focus which is published on the new Constabulary website, making it easier for stakeholders to find.
- 7.2 The Constabulary also set out to create a new statement on counter fraud. This was created as part of the CIPFA Counter Fraud Self Assessment work.
- 7.3 The Constabulary planned to make further improvements to the shared services environment. A 'role of the manager' review was completed in 2016/17 and a project team is in place making changes to improve the service further in 2017/18.
- 7.4 The Constabulary has a suite of policies and procedures that set out more detailed requirements. It was noted in 2015/16 that some policies and procedures were past their date for review. In many cases, those procedures will be low risk where no changes may be necessary but a programme of work is underway to ensure that all policies and procedures are updated. Higher risk policies and procedures were prioritised for review. Updated corporate support policies and procedures will be

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Declaration

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Audit Committee and that 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 set out in this Statement.

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

Signed:

Signed:

Chief Constable

Chief Finance Officer

Date:

Date:

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a new requirement of the 2016/17 Code of Practice for Local Authority Accounting and shows how annual expenditure is used and funded from resources (government grants, rents, council tax precept and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Whilst the EFA is not a main accounting statement, it provides an important analysis for the reader of the accounts. As such, the Code requires the EFA to be given due prominence in the financial statements in accordance with the needs of the user. As a link between the budget (i.e. the management accounts) and the statutory accounts (i.e. the financial accounts), the EFA is presented before the main statements in this document.

Net Expenditure chargeable to the General Fund Balance £'000	2015/16			2016/17		
	Adjustments between accounting and funding basis £'000	Net expenditure in the CIES £'000		Adjustments between accounting and funding basis £'000	Net expenditure in the CIES £'000	
270,223	8,635	278,858	Operational policing services	278,876	5,114	283,990
4,409	11,530	15,939	Other items not allocated to services	(756)	(6,880)	(7,636)
274,632	20,165	294,797	Net cost of Policing Services	278,120	(1,766)	276,354
0	95,700	95,700	Other income and expenditure	0	92,640	92,640
274,632	115,865	390,497	(Surplus) or deficit on the provision of services	278,120	90,874	368,994
(274,632)	0	(274,632)	Intra-group funding	(278,120)	0	(278,120)
0	115,865	115,865	Net (Surplus)/deficit on the provision of services	0	90,874	90,874
0			Opening General Fund (including earmarked reserves) balance at 1 April	0		
0			Plus net (surplus)/deficit on the provision of services	0		
0			Closing General Fund (including earmarked reserves) balance at 31 March	0		

Income received from external customers is analysed by service in the table below:

2015/16 £'000	2016/17 £'000
(22,781) Operational policing services	(21,595)
(22,781) Total income from external customers analysed by service	(21,595)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. From 2016/17, services are aligned with the operational structure of the Commissioner's office and the Constabulary. Previously, total cost was analysed in accordance with CIPFA definitions of services

2015/16			2016/17			Note	
Gross expenditure	Gross Income	Net expenditure	Gross expenditure	Gross Income	Net expenditure		
£'000	£'000	£'000	£'000	£'000	£'000		
319,891	(41,033)	278,858	Operational policing services	326,445	(42,455)	283,990	
35,082	(19,143)	15,939	Other items not allocated to services	10,650	(18,286)	(7,636)	
354,973	(60,176)	294,797	Cost of Policing Services	337,095	(60,741)	276,354	
			Other income and expenditure:-				
0	0	0	Other operating income and expenditure	0	0	0	14
95,700	0	95,700	Financing and investment income and expenditure	92,640	0	92,640	15
0	0	0	Taxation and non-specific grant income	0	0	0	
95,700	0	95,700	Total other (income)/expenditure	92,640	0	92,640	
		390,497	(Surplus) or Deficit on the Provision of Services before funding			368,994	
		(274,632)	Intra-group funding			(278,120)	
		115,865	(Surplus) or Deficit on the Provision of Services			90,874	
		(378,378)	Remeasurement of the net defined pension benefit liability/(asset)			569,640	
		(378,378)	Other Comprehensive (Income)/Expenditure			569,640	
		(262,513)	Total Comprehensive (Income)/Expenditure			660,514	

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Chief Constable, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax (precept) setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Commissioner and Group. The Chief Constable does not hold any general fund reserves.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2015	0	0	0	0	3,038,271	3,038,271	
Movements during 2015/16							
Total Comprehensive Income and Expenditure	115,865	0	0	115,865	(378,378)	(262,513)	
Adjustments between accounting basis & funding basis under regulations	(115,865)	0	0	(115,865)	115,865	0	13
(Increase)/Decrease in year	0	0	0	0	(262,513)	(262,513)	
Balance at 31 March 2016	0	0	0	0	2,775,757	2,775,757	17
Movements during 2016/17							
Total Comprehensive Income and Expenditure	90,874	0	0	90,874	569,640	660,514	
Adjustments between accounting basis & funding basis under regulations	(90,874)	0	0	(90,874)	90,874	0	13
(Increase)/Decrease in year	0	0	0	0	660,514	660,514	
Balance at 31 March 2017	0	0	0	0	3,436,271	3,436,271	17

Balance Sheet

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

The net assets of the Group (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

31 March 2016		31 March 2017	Note
£'000		£'000	
(4,070)	Short term creditors	(4,164)	16
(4,070)	Current Liabilities	(4,164)	
(2,771,687)	Net liability related to pension schemes	(3,432,107)	8
(2,771,687)	Long Term Liabilities	(3,432,107)	
(2,775,757)	Net Assets/(Liabilities)	(3,436,271)	
	Financed by:		
0	Usable reserves	0	
2,775,757	Unusable reserves	3,436,271	17
2,775,757	Total Reserves	3,436,271	

Signed:

(Chief Finance Officer)

Cash Flow Statement

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

2015/16		2016/17	
£'000		£'000	<i>Note</i>
115,865	Net (surplus) or deficit on the provision of services	90,874	<i>CIES</i>
(115,865)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(90,874)	22
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	

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1 - Statement of Accounting Policies and Estimation Techniques

1.1 General Principles

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

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

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

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Chief Constable transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Chief Constable.
- Revenue from the provision of services is recognised when the Chief Constable can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Chief Constable.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Notes to the core financial statements

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

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

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

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

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

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

1.4 Events After the Reporting Period

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

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

Notes to the core financial statements

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

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

1.5 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.

1.6 Specific Grants

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

1.7 Debtors and Creditors

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

1.8 Government Grants and Contributions

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

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

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

Notes to the core financial statements

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.

1.9 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Chief Constable to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate 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;

Notes to the core financial statements

- 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 2016/17 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 2017/18 will be 14.1% of pensionable pay and the fixed charge element will be £5.170m.

Additional contributions are payable to cover the cost of any early retirements except those due to ill-health. In addition the Chief Constable is responsible for all pension payments relating to any added years' benefits, together with the related increases.

The values for each scheme are shown separately in the notes. Assets are measured at fair value which is assessed on the basis of bid price. Liabilities are measured using the projected unit method. Liabilities are discounted at appropriate rates.

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

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

1.10 Overheads and Support Services

The costs of overheads and support services were previously 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), with the exception of Corporate and Democratic Core (i.e. costs relating to the Commissioner's status as a single purpose, democratic organisation) and Non Distributed Costs (i.e. the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale).

With the introduction of the Expenditure and Funding Analysis, overheads and support service costs are charged to other services only where these are reported to key decision makers during the year. As the Commissioner and the Chief Constable report the costs of these activities separately, the relevant income and expenditure is shown separately on the face of the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement.

1.11 Contingent Liabilities

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

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

1.12 Contingent Assets

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

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

1.13 Reserves

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

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claim their pension as at 31 March 2017. The figure is high as the majority of the liability is in respect of the police pension schemes which do not have a funded status (i.e. unlike the Local Government Superannuation Scheme for staff).

1.14 Revenue Expenditure Funded From Capital Under Statute

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

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

1.15 Changes in Accounting Policies

There were no changes in the 2016/17 Code which affected these statements.

1.16 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

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:

The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code are:

- Amendment to the reporting of pension fund scheme transaction costs;
- Amendment to the reporting of pension fund investment concentration

These changes relate to pension fund accounting disclosures and will not have a material impact upon the financial statements of the Chief Constable for Hampshire.

3 – Prior Period Adjustments

Changes to the management of functions within the Constabulary

There were no changes in the accounts which warranted a prior period adjustment for the 2015/16 comparators to the 2016/17 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 has been carried out in accordance with the Code of Practice to determine whether any group accounting relationships exist. This review sought to determine whether there was any control over another entity as possibly demonstrated through ownership, such as shareholding in an entity or representation on an entity's board of directors. The PCC is involved in joint working relationships with a number of other police forces, Hampshire

Notes to the core financial statements

County Council and the Hampshire Fire and Rescue Service in the provision of operational police activity or, with the latter two bodies, support services. None of these working arrangements and collaborations was deemed to require the inclusion of such in the group accounts. Rather, the relevant transactions equating to the Commissioner's own expenditure in the partnership were included as appropriate. This position remained unchanged in 2016/17. Further information is disclosed in note 9.

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

- The Chief Constable is now classed as a local authority, allowing her to benefit from the statutory overrides contained in the Accounts and Audit Regulations 2015;
- Clearer guidance on the accounting arrangements from CIPFA in the form of Local Authority Accounting Panel (LAAP) Bulletins and other communiqués now in place. This guidance aims to draw a distinction between both the form and substance of the arrangements between the two parties, the nature of control being a balance between strategic and operational control and the fact that, whilst the Commissioner can remove the Chief Constable himself, he cannot remove the role itself;
- Guidance from the Audit Commission regarding its instructions to external audit bodies in the wake of the prevailing guidance received by local authorities from CIPFA;
- A Stage 2 transfer scheme was approved by the Home Office Police Minister in 2014, with an agreed commencement date of 1 May 2014. Rather than make any fundamental change to the nature of the interrelationship between the Police and Crime Commissioner and the Chief Constable, as separate 'corporations sole' under a 'group' accounting arrangement (with the PCC having primacy), the Stage 2 transfer merely formalised certain aspects such as the having the majority of officers and staff under the command and control of the Chief Constable and the assets being owned exclusively by the Commissioner.

As a result of the above, we have reviewed the various aspects of the relationship between the Commissioner and the Chief Constable in order to determine how to account for these in the 2015/16 Statement of Accounts:-

Consideration	Accounting determination		Reasoning
	PCC	CC	
Expenditure	✓	✓	CC to record all expenditure on staff, buildings, supplies and services, vehicles etc. which is employed in the delivery of operational policing except those directly attributable to the activity and functions of the PCC
Employees – IAS19		✓	As most members of staff are under the day to day operational command of the CC, the IAS 19 (employment benefits, including pensions and the adjustments in respect of accrued employee benefits) charges/credits are attributed to the CC. The net IAS19 adjustments are subject to statutory overrides in the Movement in Reserves Statement.

Notes to the core financial statements

Consideration	Accounting determination		Reasoning
	PCC	CC	
Charges for assets – i.e. depreciation and impairment	✓		Whilst the CC has day to day operational control of most assets such as buildings and vehicles, the PCC manages the estate and the strategic direction of the use of that estate. Additionally, he provides resources for the purchase of new assets, uses the proceeds from the sale of assets to fund future development or to pay down long-term debt and is responsible for the long- term decisions relating to the financing of his capital expenditure.
Income – General Grants and Taxation	✓		The PCC sets the precept and is the only recipient of general grants. The PCC receives the income which is put into the Police Fund.
Income – specific grants, service income (events, statutory charges etc.) and other contributions and donations	✓	✓	This is recorded in the accounts of whichever party the income is directly attributable or whose activities it relates to.
Working capital – debtors, creditors, provisions	✓	✓	The PCC settles all of the outstanding cash payments through his overall control of the resources available for policing in the county. Debtors and creditors are recorded in the CIES of the Commissioner and the Chief Constable to show the cost of their activities, but the balance sheet entries in respect of these belong to the PCC.
Reserves- General fund reserve, earmarked general fund reserves, other usable reserves	✓		As the PCC controls and owns the Police Fund, he owns the associated reserves.
Reserves - unusable	✓	✓	These are accounting reserves, required for different reasons most of which relate to the statutory overrides and accounting for assets. Most of these are attributable to the PCC, with the exceptions being those relating to the IAS19 entries in the accounts – i.e. the pensions reserve and the accumulated absences account – as these follow the staff to which they relate (i.e. and which are recorded in the CC’s Comprehensive Income and Expenditure Statement).

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

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

The items in the Chief Constable’s Balance Sheet at 31 March 2017 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of net liability to pay pensions depends upon a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Chief Constable receives annual forecasts and regular reviews of all of its assets and liabilities from an independent actuary to ensure that the accounts contain realistic estimates of the overall impact of these pensions’ liabilities.	The effects of the net pensions’ liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumptions would result in a decrease in the Police Pension Schemes liabilities of 1.8% and a decrease in the Local Government Superannuation Scheme liabilities of 2.4%. However, the assumptions interact in complex ways. More details are provided in the IAS19 disclosures at note 8.

Notes to the core financial statements

6 – Nature of expenses

The Cost of Services includes the following items of income and expenditure:

2015/16 Expenditure in the CIES		2016/17 Expenditure in the CIES	
£'000	Note	£'000	
265,158	Employee Benefit Expenses	1	249,755
89,815	Other Service Expenses	2	87,340
354,973	Total Expenditure		337,095
(37,395)	Grants, contributions and reimbursements		(39,146)
(22,781)	Fees, charges and other service income		(21,595)
(60,176)	Total Income		(60,741)
294,797	Net Cost of Services		276,354

1. Employee benefit expenses include pay, employer national insurance contributions, employer pension contributions and other employee benefits. Accounting adjustments are then made under IAS19 so that the expenditure in the CIES reflects the current service cost of the benefit granted in the period, rather than the payments made.
2. Other service expenses include costs relating to premises, transport, supplies and services. An accounting adjustment is made so that the charge to the CIES also includes revenue expenditure charged to capital under statute (REFCUS).

7 - Expenditure and Funding Analysis – supporting statements

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, rents, council tax precept and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the authority's services.

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The EFA includes a column which identifies the statutory adjustments required by the Code of Practice separately from the income and expenditure which has an impact upon the General Fund Reserve. These are called 'Adjustments between the accounting and funding basis'. These are shown in more detail in Note 13 and an extract of these is presented below:-

Notes to the core financial statements

2016/17	Adjustments for capital purposes	Net change for the pensions adjustments	Other adjustments	Total Adjustments
Adjustments between accounting and funding basis analysis:-	£'000	£'000	£'000	£'000
Operational policing services	0	5,020	94	5,114
Other items not allocated to services	0	(6,880)	0	(6,880)
Net cost of services	0	(1,860)	94	(1,766)
Other income and expenditure from the funding analysis	0	92,640	0	92,640
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	0	90,780	94	90,874

2015/16	Adjustments for capital purposes	Net change for the pensions adjustments	Other adjustments	Total Adjustments
Adjustments between accounting and funding basis analysis:-	£'000	£'000	£'000	£'000
Operational policing services	0	8,358	277	8,635
Other items not allocated to services	0	11,530	0	11,530
Net cost of services	0	19,888	277	20,165
Other income and expenditure from the funding analysis	0	95,700	0	95,700
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	0	115,588	277	115,865

Notes

Note that other operating expenditure, financing and investment income and expenditure and taxation and non-specific grant income and expenditure are all included within other income and expenditure from the funding analysis.

1. *Adjustments for Capital Purposes*

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year

As all property, plant and equipment assets are held by the Commissioner, there are no adjustments in the Chief Constable's accounts in respect of capital accounting and financing.

2. *Net change for pension adjustments*

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs;
- For Financing and investment income and expenditure -- the net interest on the defined benefit liability is charged to the CIES.

3. *Other changes*

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts;

Notes to the core financial statements

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8 - IAS19 (Pensions Accounting) entries and disclosures

Participation in pensions schemes

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

The Chief Constable participates in three post employment schemes:

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

Note that in the following analyses, the 1987, 2006 and 2015 police schemes are combined into one disclosure. These schemes are valued separately by the external actuary but the charges and credits to the CIES and the net Balance Sheet liability are accounted for as a single item.

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,

Notes to the core financial statements

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:

	Unfunded Police Pension Schemes		LGPS (Police Staff)	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	36,670	32,980	13,180	12,530
- Past service costs	10,990	0	350	(20)
- (Gain)/loss from settlements	0	0	0	(6,860)
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	89,520	87,510	4,160	3,560
Total Charge to the Surplus or Deficit on the Provision of Services	137,180	120,490	17,690	9,210
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	0	0	4,280	(27,750)
- Actuarial (Gains)/Losses arising:-				
- from changes in experience	(154,150)	(11,140)	(3,000)	(22,830)
- from changes in demographic assumptions	(18,960)	0	0	(3,170)
- from changes in financial assumptions	(164,528)	520,230	(23,790)	103,740
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(200,458)	629,580	(4,820)	59,200
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(137,180)	(120,490)	(17,690)	(9,210)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions to the scheme	28,062	26,940	12,520	12,600
Benefits paid direct to beneficiaries	0	0	0	0
Charge on General Fund	28,062	26,940	12,520	12,600

[table continues on the next page]

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	Injury Pensions (police officers)		All schemes - Summary	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	1,160	1,080	51,010	46,590
- Past service cost	0	0	11,340	(20)
- (Gain)/loss from settlements	0	0	0	(6,860)
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	2,020	1,570	95,700	92,640
Total Charge to the Surplus or Deficit on the Provision of Services	3,180	2,650	158,050	132,350
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
- Return on plan assets	0	0	4,280	(27,750)
- Actuarial (Gains)/Losses arising:-				
- from changes in experience	(15,230)	(220)	(172,380)	(34,190)
- from changes in demographic assumptions	(460)	0	(19,420)	(3,170)
- from changes in financial assumptions	(2,540)	10,780	(190,858)	634,750
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(15,050)	13,210	(220,328)	701,990
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(3,180)	(2,650)	(158,050)	(132,350)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions payable to the scheme	0	0	40,582	39,540
Benefits paid direct to beneficiaries	1,880	2,030	1,880	2,030
Charge on General Fund	1,880	2,030	42,462	41,570

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

Pensions assets and liabilities recognised in the Balance Sheet

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

There are no material prepaid or accrued pensions contributions at 31 March 2017.

Notes to the core financial statements

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:-

	Police Pension Schemes		Injury Pensions (police officers)	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£m	£m	£m	£m
Value at year ending				
Present value of the defined benefit obligation	2,609.57	3,212.21	47.14	58.32
Fair value of plan assets	0.00	0.00	0.00	0.00
Net liability arising from the defined benefit obligation	2,609.57	3,212.21	47.14	58.32

	Local Govt Pension Scheme		Total	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£m	£m	£m	£m
Value at year ending				
Present value of the defined benefit obligation	349.52	432.47	3,006.23	3,703.00
Fair value of plan assets	(234.64)	(270.99)	(234.64)	(270.99)
Net liability arising from the defined benefit obligation	114.88	161.48	2,771.59	3,432.01

Notes to the core financial statements

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

	Unfunded Police Pension Schemes		Local Govt Pension Scheme	
	2015/16 £m	2016/17 £m	2015/16 £m	2016/17 £m
Opening fair value of assets	0.00	0.00	221.66	234.64
Interest income	0.00	0.00	7.48	8.07
Remeasurement gains and (losses):-				
- the return on plan assets (excluding the amount included in the net interest expense)	54.29	45.43	(4.28)	27.75
- other	0.00	0.00	0.00	0.00
Employer contributions	28.06	26.94	12.52	12.60
Contributions by scheme participants	14.43	13.92	3.88	3.87
Settlements	0.00	0.00	0.00	(8.92)
Benefits Paid	(96.78)	(86.29)	(6.62)	(7.02)
Closing fair value of assets	0.00	0.00	234.64	270.99

	Injury Pensions (police officers)	
	2015/16 £m	2016/17 £m
Opening fair value of assets	0.00	0.00
Interest income	0.00	0.00
Remeasurement gains and (losses):-		
- the return on plan assets (excluding the amount included in the net interest expense)	0.00	0.00
Employer contributions	1.88	2.03
Contributions by scheme participants	0.00	0.00
Settlements	0.00	0.00
Benefits Paid	(1.88)	(2.03)
Closing fair value of assets	0.00	0.00

Notes to the core financial statements

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

	Unfunded Police Pension Schemes		Local Govt Pension Scheme	
	2015/16 £m	2016/17 £m	2015/16 £m	2016/17 £m
Opening Balance - 1 April	(2,838.09)	(2,609.57)	(353.88)	(349.52)
Current Service Cost	(36.67)	(32.98)	(13.18)	(12.53)
Interest Cost	(89.52)	(87.51)	(11.64)	(11.63)
Contributions from scheme participants	(14.43)	(13.92)	(3.88)	(3.87)
Remeasurement (gains) and losses:				
Actuarial gains and (losses) arising:-				
- from changes in experience	154.15	11.14	3.00	22.83
- from changes in demographic assumptions	18.96	0.00	0.00	3.17
- from changes in financial assumptions	110.24	(565.66)	23.79	(103.74)
Liabilities extinguished on settlements	0.00	0.00	0.00	15.78
Benefits Paid	96.78	86.29	6.62	7.02
Past service costs	(10.99)	0.00	(0.35)	0.02
Closing balance - 31 March	(2,609.57)	(3,212.21)	(349.52)	(432.47)
	Injury Pensions (police officers)		Total	
	2015/16 £m	2016/17 £m	2015/16 £m	2016/17 £m
Opening Balance - 1 April	(64.07)	(47.14)	(3,256.04)	(3,006.23)
Current Service Cost	(1.16)	(1.08)	(51.01)	(46.59)
Interest Cost	(2.02)	(1.57)	(103.18)	(100.71)
Contributions from scheme participants	0.00	0.00	(18.31)	(17.79)
Remeasurement (gains) and losses:				
Actuarial gains and (losses) arising:-				
- from changes in experience	15.23	0.22	172.38	34.19
- from changes in demographic assumptions	0.46	0.00	19.42	3.17
- from changes in financial assumptions	2.54	(10.78)	136.57	(680.18)
Liabilities extinguished on settlements	0.00	0.00	0.00	15.78
Benefits Paid	1.88	2.03	105.28	95.34
Past service costs	0.00	0.00	(11.34)	0.02
Closing balance - 31 March	(47.14)	(58.32)	(3,006.23)	(3,703.00)

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;

Notes to the core financial statements

- 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 2018 are £12.78m. In addition, Strain on Fund Contributions may be required.

Total expected contributions for the Police Pension Schemes are £71.5m. This figure includes both the Chief Constable's contribution and the Top-Up Grant from the Home Office. In addition, the Chief Constable expects to pay £2.1m 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 2017.

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

Notes to the core financial statements

	Local Government Pension Scheme		Police Pension Schemes	
	2015/16	2016/17	2015/16	2016/17
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	24.6	24.0	22.8	22.8
Women	26.4	27.0	25.3	25.4
Longevity at 65 for future pensioners				
Men	26.7	26.0	24.9	25.0
Women	28.7	29.3	27.6	27.7
Financial Assumptions:				
Inflation - RPI	2.90%	3.10%	2.90%	3.10%
Inflation - CPI	1.80%	2.00%	1.80%	2.00%
Rate of general increase in salaries	3.30%	3.50%	3.30%	3.50%
Rate of increase to pensions in payment	1.80%	2.00%	1.80%	2.00%
Rate of increase to deferred pensions	1.80%	2.00%	1.80%	2.00%
Discount rate	3.50%	2.60%	3.40%	2.60%
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%
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 2017 and the projected service cost for the year ending 31 March 2018 is set out below:-

Notes to the core financial statements

Baseline:-

Police Schemes

Present Value of total obligation (excluding injury benefits) @ 31.3.17 = £3212.21M

Projected Service cost 2017/18 = £51.28M

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31.3.17= £432.09M

Projected Service cost 2017/18 = £18.33M

	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)	421.89	442.54	3,152.85	3,272.76
* % change in present value of total obligations	-2.4%	2.4%	-1.8%	1.9%
* Projected service cost (£M)	17.70	18.97	49.28	53.34
* % change in projected service cost	-3.4%	3.5%	-3.9%	4.0%
Rate of general increase in salaries				
* Present value of total obligations (£M)	434.48	429.73	3,226.84	3,197.75
* % change in present value of total obligations	0.6%	-0.5%	0.5%	-0.5%
* Projected service cost (£M)	18.33	18.33	51.62	50.94
* % change in projected service cost	0.0%	0.0%	0.7%	-0.7%
Rate of increase to pensions in payment and deferred pensions				
* Present value of total obligations (£M)	440.12	424.22	3,257.97	3,167.16
* % change in present value of total obligations	1.9%	-1.8%	1.4%	-1.4%
* Projected service cost (£M)	18.97	17.70	53.04	49.56
* % change in projected service cost	3.5%	-3.4%	3.4%	-3.4%
Adjustment to mortality age rating assumption				
	-1 year	+1 year	-1 year	+1 year
* Present value of total obligations (£M)	444.63	419.58	3,295.73	3,128.69
* % change in present value of total obligations	2.9%	-2.9%	2.6%	-2.6%
* Projected service cost (£M)	18.98	17.68	53.20	49.36
* % change in projected service cost	3.6%	-3.5%	3.7%	-3.7%

Notes to the core financial statements

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 2016	Unquoted at 31 March 2016		Quoted at 31 March 2017	Unquoted at 31 March 2017
52.9%	3.4%	Equities	56.8%	3.5%
0.9%	7.3%	Property	0.5%	6.0%
25.7%	0.0%	Government bonds	25.0%	0.2%
2.0%	0.1%	Corporate bonds	1.4%	0.0%
4.7%	0.0%	Cash	3.4%	0.0%
-0.2%	3.2%	Other (e.g. Hedge funds, currency holdings)	0.0%	3.2%
86.0%	14.0%	Total	87.1%	12.9%

9 – 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 12.

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 £26.9m to the Police Pension Fund as contributions in respect of existing officers and those retiring due to ill-health in the year (£28.06m in 2015/16). The Local Government Pension Scheme is administered by Hampshire County Council and the Chief Constable made employer's contributions of £12.60m in 2016/17 (£12.52m in 2015/16).

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

The Code also requires members of the Office of the Police and Crime Commissioner, Chief Officers in the Constabulary and certain other senior officers to declare if there were any related party (e.g. close family or business associates) transactions due to their ability to

Notes to the core financial statements

influence spending decisions. There were no related party transaction disclosures in 2016/17 (none in 2015/16).

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	PCC share of costs £m
Joint working for support services (H3)	Hampshire County Council (HCC), Hampshire Fire and Rescue Services (HFRS)	HCC	6.9
Joint ICT/Information Management Department	Thames Valley Police (TVP)	TVP	16.7
South East Organised Regional Organised Crime Unit (SEROCU)	South East Region Forces (TVP, Surrey, Sussex)	TVP	2.7
Joint Operations Unit	Thames Valley Police (TVP)	TVP	20.5

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.

Notes to the core financial statements

10 – Officer and Staff Remuneration

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

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

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

The 2015 regulations define senior police officers for these purposes as being those with the rank of superintendent or above. However, prior to 2016/17 the Chief Constable opted to include all staff whose total remuneration falls into the bandings, regardless of their rank. However, relevant police officers and senior employees are excluded with effect from 2016/17. The numbers also include people who are seconded to national roles but whose costs are reimbursed.

Remuneration Band	2015/16	2016/17
	Number of employees	Number of employees
£50,000 - £54,999	166	192
£55,000 - £59,999	104	114
£60,000 - £64,999	20	22
£65,000 - £69,999	10	8
£70,000 - £74,999	10	9
£75,000 - £79,999	4	9
£80,000 - £84,999	6	4
£85,000 - £89,999	3	2
£90,000 - £94,999	3	0
£95,000 - £99,999	1	0
£105,000 - £109,999	1	1
£110,000 - £114,999	1	0
£115,000 - £119,999	1	0
£125,000 - £129,999	1	0
£140,000 - £144,999	1	0
£150,000 - £154,999	2	0
Totals	334	361

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

Remuneration for relevant police officers and senior employees

The Accounts and Audit Regulations 2015 consolidated regulations for the disclosure of the total remuneration package of those charged with the stewardship of the organisation, being senior employees or relevant police officers of the Chief Constable. In Hampshire, the relevant police officer is the Chief Constable, who should be identified by name as well as post, regardless of his salary. However, the definition of senior employees for non-police officers is wider and covers those responsible for the strategic management of the organisation. Given the nature of the services provided by the Chief Constable and the make up of his strategic leadership team, the disclosure below includes all chief officers. Only relevant police officers (regardless of salary) and senior employees with a salary greater than £150,000 are named.

The table below provides the relevant disclosure for 2016/17 and comparative information for 2015/16 is provided in the second table. Where there have been changes in personnel during the current and prior year the part year remuneration is shown on an individual basis over more than one line. This will mean that certain posts are not comparable.

Notes to the core financial statements

2016/17 Disclosure Post holder information

	Salary, fees and allowances	Bonuses	Expenses Allowance	Compensation for loss of employment	Benefits in Kind	Other payments (Police officers only)	Employer's Pension contributions	Total Remuneration including pensions contributions	Note
	£	£	£	£	£	£	£	£	
Constabulary									
Acting Chief Constable - 1/4/16 - 3/4/16 Graham McNulty	1,360	0	0	0	0		233	1,593	
Chief Constable - 4/4/16 - 31/3/17 Olivia Pinkney	147,854	0	0	0	2,416		30,386	180,656	
Acting Deputy Chief Constable - 1/4/16 - 3/4/16	1,141	0	0	0	70		197	1,408	
Deputy Chief Constable - 4/4/16 - 27/5/16	26,940	0	0	0	0		4,809	31,749	
Acting Deputy Chief Constable - 28/5/16 - 20/7/16	19,788	0	0	0	35		3,313	23,136	
Deputy Chief Constable - 21/7/16 - 31/3/17	101,697	0	0	0	165		16,704	118,566	
Assistant Chief Constable - Local Policing - 1/4/16 - 27/5/16	17,991	0	0	0	37		3,415	21,443	
Acting Assistant Chief Constable - Local Policing - 28/5/16 - 31/3/17	84,045	0	0	0	328		15,193	99,566	
Assistant Chief Constable - Crime and Criminal Justice - 4/4/16 - 1/3/17	112,176	0	0	0	7,776		21,314	141,266	
Acting Assistant Chief Constable - Crime and Criminal Justice - 16/1/17 - 31/3/17	20,666	0	0	0	362		4,301	25,329	
Acting Assistant Chief Constable - Joint Operations - 1/4/16 - 22/5/16	14,674	0	0	0	521		2,497	17,692	
Assistant Chief Constable - Joint Operations - 23/5/16 - 31/3/17	85,662	0	0	0	1,916		17,717	105,295	
Head of Human Resources - 1/4/16 - 30/9/16	55,455	0	0	111,635	64		6,486	173,640	
	689,449	0	0	111,635	13,690	0	126,565	941,339	1

Note 1: The Chief Finance Officer for Hampshire Constabulary is employed by Hampshire County Council as part of the H3 partnership. The Officer providing this function is included within the remuneration details are disclosed by Hampshire County Council. A recharge is made to the Constabulary from the County Council in respect of the cost of the Chief Finance Officer. This charge was £81,961 (This figure includes all Employer Oncosts)

Notes to the core financial statements

2015/16 Disclosure

Post holder information

	Salary, fees and allowances	Bonuses	Expenses Allowance	Compensation for loss of employment	Benefits in Kind	Other payments (Police officers only)	Employer's Pension contributions	Total Remuneration including pensions contributions	Note
	£	£	£	£	£	£	£	£	
Constabulary									
Chief Constable - 1/4/15 to 31/1/16 - A Marsh	146,920		0		5,106		29,469	181,495	
Acting Chief Constable - 1/2/16 to 31/3/16 - G McNulty	26,146		0		0		4,654	30,800	
Deputy Chief Constable - 1/4/15 to 31/1/16	124,992		0		0		23,155	148,147	
Acting Deputy Chief Constable - 1/2/16 to 31/3/16	22,821		0		1,246		4,654	28,721	
Acting ACC - Crime and Criminal Justice - 1/4/15 to 3/5/15	10,483		0		21		1,607	12,111	2
Assistant Chief Constable - Crime and Criminal Justice - 4/5/15 to 31/3/16	105,400		0		219		19,638	125,257	
Acting ACC - Crime and Criminal Justice - 1/4/15 to 3/5/15	8,718		0		21		1,585	10,324	
Assistant Chief Constable - Territorial Operations - 1/4/15 to 31/1/16	99,165		0		6,357		19,262	124,784	
Acting Assistant Chief Constable - Joint Operations - 1/1/16 to 31/3/16	25,275		0		975		4,380	30,630	
Assistant Chief Officer - Business and Resources	110,725		0		0		12,951	123,676	
	680,645	0	0	0	13,945	0	121,355	815,945	1

Note 1: The Chief Finance Officer for Hampshire Constabulary is employed by Hampshire County Council as part of the H3 partnership. The Officer providing this function is included within the remuneration details are disclosed by Hampshire County Council. A recharge is made to the Constabulary from the County Council in respect of the cost of the Chief Finance Officer. This charge was £77,787 (This figure includes all Employer Oncosts)

Note 2. Providing cover during a period of extended absence.

Notes to the core financial statements

Exit Packages in Bands of £20,000

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	6	1	21	1	27	2	264	10
£20,001 - £40,000	1	0	1	2	2	2	65	55
£40,001 - £60,000	0	0	1	0	1	0	43	0
£60,001 - £80,000	0	0	1	0	1	0	78	0
£80,001 - £100,000	0	0	0	1	0	1	0	84
£100,001 - £150,000	0	0	0	1	0	1	0	122
Additional provision in the Comprehensive Income and Expenditure Statement	1	0	1	0	2	0	45	0
Reversal of previous year's provision (included in bandings in following year when payments due)	(13)	(1)	(6)	(1)	(19)	(2)	(155)	(45)
Totals	(5)	0	19	4	14	4	340	226

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 £114k in 2016/17 (£174k in 2015/16).

11 – Termination Benefits

The Chief Constable terminated the contracts of a number of employees in 2016/17, incurring liabilities of £0.226m (£0.340m in 2015/16). See note 10 for the number of exit packages and total cost per band.

Notes to the core financial statements

12 – Grant Income – Group

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

2015/16 PCC £'000	2015/16 CC £'000		2016/17 PCC £'000	2016/17 CC £'000
Credited to Taxation and Non-Specific Grant Income				
(103,568)	0	Council Tax Precept	(107,137)	0
(63,501)	0	Formula funding	(63,139)	0
(120,701)	0	Police Grant	(120,012)	0
(12,944)	0	Council tax legacy grant	(12,944)	0
(4,329)	0	Government Grant to Finance Capital Expenditure	(2,766)	0
(305,043)	0	Total	(305,998)	0
Credited to Services				
0	(3,007)	Dedicated Security Posts grant	0	(2,983)
0	(7,083)	Home Office grants to ACPO Criminal Records Office	0	(3,864)
0	0	Contributions to National Wildlife Crime Unit (ACRO)	0	(379)
(2,272)	0	Restorative Justice/Victims Support grant	(2,543)	0
0	(536)	Disclosure and Barring Service funding	0	(561)
0	(400)	Contributions to National Police Freedom of Information and Data Protection Unit (ACRO - formerly FOI Central Referral Unit)	0	(401)
0	(96)	Home Office Prevent grant	0	(114)
0	0	NHS Medical in custody grant	0	(58)
0	(169)	Other Home Office Grants	0	0
0	0	Home Office grant for emergency services mobile communications programme (ESMCP)	0	(895)
0	(821)	NATO special operations grant	0	0
0	(2,834)	Innovation Fund	0	(2,798)
0	(12)	Local Criminal Justice Board funding	0	(44)
0	(437)	Miscellaneous grants	0	(822)
(2,272)	(15,395)	Total	(2,543)	(12,919)

13 – Adjustments between accounting basis and funding under regulations

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

The majority of the adjustments relate to the accounts of the Commissioner. The exceptions to this are the adjustments in respect of the Pensions Reserve and the Accumulated Absences Account, which relate to the Chief Constable's accounts. These are presented below:

2016/17	Usable Reserves			Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:				
* Pensions costs transferred to (or from) the Pensions Reserve	(90,780)			90,780
* Financial instruments (transferred to the Financial Instruments Adjustments Account)	0			0
* Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	0			0
* Holiday pay (transferred to the Accumulated Absences Reserve)	(94)			94
* Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	0			0
Total Adjustments to Revenue Resources	(90,874)	0	0	90,874
Total Adjustments	(90,874)	0	0	90,874

Notes to the core financial statements

2015/16	Usable Reserves			Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:				
* Pensions costs transferred to (or from) the Pensions Reserve	(115,588)			115,588
* Financial instruments (transferred to the Financial Instruments Adjustments Account)	0			0
* Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	0			0
* Holiday pay (transferred to the Accumulated Absences Reserve)	(277)			277
* Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	0			0
Total Adjustments to Revenue Resources	(115,865)	0	0	115,865
Total Adjustments	(115,865)	0	0	115,865

14 – Other operating income/expenditure

2015/16 £'000		2016/17 £'000
(54,288)	Home Office Police Pension Fund Top-up Grant	(45,352)
54,288	Transfer of Home Office Grant to the Police Pension Fund	45,352
0		0

15 – Financing and investment income and expenditure

2015/16 £'000		2016/17 £'000
95,700	Pensions interest cost and expected return on pension assets	92,640
95,700		92,640

Notes to the core financial statements

16 – Short-term creditors

31 March 2016 £'000		31 March 2017 £'000
	Non-financial instrument creditors	
(4,070)	Other entities and individuals	(4,164)
(4,070)	Total	(4,164)

17 – Unusable Reserves

31 March 2016 £'000		31 March 2017 £'000	Note
4,070	Accumulated Absences Account	4,164	17.1
2,771,687	Pensions Reserve	3,432,107	17.2
2,775,757		3,436,271	

17.1 Unusable 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.

2015/16 £'000		2016/17 £'000	2016/17 £'000
3,793	Balance at start of year		4,070
(3,793)	Settlement or cancellation of accrual made at the end of the preceding year	(4,070)	
4,070	Amounts accrued at the end of the current year	4,164	
277	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		94
4,070	Balance at end of year		4,164

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

Notes to the core financial statements

year in accordance with statutory requirements is the movement in the year. In 2016/17, this was an increase of £0.094m (An increase of £0.277m in 2015/16).

17.2 Unusable 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.

2015/16 £'000		2016/17 £'000
3,034,477	Balance at start of year	2,771,687
(378,378)	Actuarial losses/(gains) on pensions assets and liabilities	569,640
158,050	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	132,350
(42,462)	Employer's pension contributions and direct payments to pensioners payable in the year	(41,570)
2,771,687	Balance at end of year	3,432,107

18 – External audit costs

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

2015/16 £'000		2016/17 £'000
	Chief Constable:	
22.1	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	18.8
0.0	Other services provided by EY	0.0
22.1		18.8

19 – 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 2016/17 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 has been increased to £1.47m (from £0.89m at 31 March 2016).

20 – Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 14 September 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

21 – Other disclosures

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

- There are no acquired or discontinued operations;
- The Chief Constable does not have any Private Finance Initiative (PFI) arrangements or similar schemes;
- The Chief Constable does not have any material heritage assets;

Notes to the core financial statements

- The Chief Constable does not have any pooled funds;
 - The Chief Constable does not have any of the following:-
 - Investment properties
 - Material construction contracts
 - Operating activities
 - Material trading operations
 - Trust funds
 - The Chief Constable has not capitalised any borrowing costs
 - There are no contingent assets.
-

22 – Notes to the cash flow statement 2016/17

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

2015/16 £'000		2016/17 £'000
115,865	Net (surplus) or deficit on the provision of services	90,874
(115,865)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(90,874)
0	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0
0	Net cash flows from Operating Activities	0
0	Investing Activities	0
0	Financing Activities	0
0	Net (increase) or decrease in cash and cash equivalents	0
0	Cash and cash equivalents at the beginning of the reporting period	0
0	Cash and cash equivalents at the end of the reporting period	0

Notes to the core financial statements

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

2015/16 £'000		2016/17 £'000
(115,865)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(90,874)
	Analysis:-	
(115,588)	- Pensions	(90,780)
(277)	- (Increase) /Decrease in Creditors	(94)
<u>(115,865)</u>		<u>(90,874)</u>

Police Pension Fund Account

2015/16 Police Pension Fund Account		2016/17
£'000		£'000
	Contributions receivable	
	- from employer	
(25,263)	- normal	(24,501)
0	- early retirements	
(2,807)	- ill-health capital equivalent charges	(2,684)
(14,424)	- from members	(13,931)
	Transfers in	
(819)	- individual transfers in from other schemes	(568)
	Benefits payable	
71,113	- pensions	72,546
25,737	- commutations and lump sum retirement benefits	14,396
111	- lump sum death benefits	0
	Payments to and on account of leavers	
3	- refunds of contributions	6
637	- individual transfers out to other schemes	88
54,288	Net amount payable for the year	45,352
(54,288)	Additional contribution from the Commissioner	(45,352)
0		0
	2015/16 Net Assets Statement	2016/17
£'000		£'000
	Current Assets	
0	- contributions due from employer	0
0	- pensions paid to pensioners in advance	6,161
	Current Liabilities	
0	- unpaid pension benefits	(91)
0	- amount due to sponsoring department	(6,070)
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 £2.0m in 2016/17. 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.

Police Pension Fund Account

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 2016/17, which is made up of an actuarially-assessed contribution of 21.3% plus an additional employer contribution of 2.9%.

The employee's contribution is set nationally by the Home Office and is subject to a triennial revaluation by the Government Actuary's Department (GAD).

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

Note 8 shows further detail of the IAS19 entries and the pension schemes.

Glossary

Agency Services

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

Capital Adjustment Account

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

Capital Expenditure

Expenditure on the provision and improvement of assets such as property, plant and equipment and vehicles and major items of equipment providing benefit 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 Financial Officer (CFO)

The Commissioner and the Chief Constable both have a legal obligation under the Local Government Finance Act 1988 to appoint a person to be responsible for the proper administration of their financial affairs. This person is the Chief Financial Officer (CFO).

Collection Fund Adjustment Account

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

Credit Arrangements

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

Creditors

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

Debtors

Individuals or organisations who owe the Chief Constable money.

Depreciation

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

Glossary

Financial Instruments Adjustment Account

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

Financial Year

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

Fixed Assets

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

Government Grants

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

Minimum Revenue Provision (MRP)

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

Precept

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

Revaluation Reserve

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

Revenue Contributions to Capital Outlay (RCCO)

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

Revenue Expenditure

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

Reserves

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