Hampshire Police and Crime Commissioner

Statement of Accounts 2016/17

POLICE & CRIME COMMISSIONER

Serving Hampshire
Isle of Wight
Portsmouth
Southampton

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Introduction

The Statement of Accounts sets out the overall financial position of the Police and Crime Commissioner for Hampshire and the Group Accounts for the year ending 31 March 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 statement provides an explanation and overview of the financial performance and activities during 2016/17.

The Police and Crime Commissioner

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

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

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

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

The PCP has a range of powers and responsibilities including:

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

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

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

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

In policing terms Hampshire Constabulary is the second largest non-metropolitan force in England and Wales. The combined population of the Hampshire Constabulary area is approximately 2million. Further information on achievements and developments can also be found on the Commissioner's website and on the Chief Constable's website at www.hampshire.police.uk

Statement of Accounts

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

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

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

The Police and Crime Commissioner’s and the Group Financial Statements for 2016/17 consist of the:

Relationship between Accounting Statements

The different accounting statements are linked in several important ways.

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.

Underlying accounting principles

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

a) Understandability

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

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

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

b) Relevance

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

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

c) Reliability

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

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

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

d) Comparability

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

The application of the terms, accounting policies and requirements of the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in England (2015) Statement of Recommended Practice is the way in which the Commissioner has ensured consistency of financial information in the financial statements leading to comparability.

Review of the year

Financial Overview (including economic climate)

In February 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.

Borrowing

The Prudential Code allows the Commissioner to borrow money as long as it is prudent, affordable and sustainable. In accordance with its borrowing strategy for 2016/17 the Commissioner did not take out any new loans and financed capital expenditure incurred during the year through a use of capital grant, capital receipts, earmarked reserves and internal borrowing through the use of cash balances. Some of the existing borrowing at the start of the financial year was repaid using resources set aside for such purposes.

As a result, at the year end the Commissioner had a total of £33.021m of outstanding PWLB loans at actual interest rates ranging between 2.19% and 6.0% and a weighted average overall rate of 4.12%. Of the total outstanding debt, £1.214m of principal is repayable in 2017/18 and is classified as a current liability in the accounts.

Investment

The Commissioner has an investment portfolio consisting of reserves and short-term cash flows (including on-call cash investments). We continue to invest according to a low risk, high quality lending list as outlined in the Investment Strategy for 2016/17. Cash balances reached an average of £89.1m during the year and this generated interest of £0.783m, which was a small increase over the £0.756m achieved in 15/16, with the average yield being maintained at around 0.8% to 0.9%. At 31 March 2017 the investment holding stood at £72.5m.

In August 2016, the Bank of England reduced the base rate of interest to 0.25%, having previously held this at 0.5% since March 2009. Low base rates benefit the Commissioner in that he is able to borrow to finance the capital programme at very low rates. However, the downside means that the rates of return on interest received on surplus cash balances, which are credited to the income and expenditure account, and which helps to reduce the burden on the council tax payer, are historically low.

Pensions

The net pension liability has increased by £660m from £2,772m at 31 March 2016 to £3,432m at 31 March 2017. The Commissioner's 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 Commissioner's 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 statutory arrangements for funding the liability mean that the Commissioner's and the Group's financial position remains sound.

Reserves

The requirement for reserves is covered in sections 32 and 43 of the Local Government Finance Act 1992, which require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Earmarked reserves remain legally part of the general fund but are accounted for separately.

As of 31 March 2017 the general reserve stood at £9.98m before any additional transfers to earmarked reserves are approved by the Commissioner. This general reserve balance represents a decrease of £7.53m when compared to 31 March 2016. This reduction was largely offset by £6.2m net contributions to other earmarked reserves during the year. The Transformation Reserve balance stood at £45.8m at 31 March 2017, which will assist with funding the cost of change. In addition, a contribution of £0.583m was made to the Insurance Reserve due to an underspend within the financial year on this budget heading but the potential for ongoing cases to be concluded in 2017/18.

The Commissioning Reserve (formerly known as the Protecting People and Places Reserve) is held to provide grant funding to third parties who undertake activities and projects which support the priorities in the Police and Crime Plan. This reserve was established in 2013/14, following a one-off contribution of £2.001m to the OPCC's budget, and is a large part of the funding available to support the objectives of the PCC's Commissioning Plan 2013/17: other elements of the funding are the Community Safety Fund and the Victims Support Services Grant. The Commissioning Reserve stood at £0.596m at 31 March 2017 (£0.962m at 31 March 2016).

The medium-term financial strategy approved by the Commissioner as part of the 2017/18 budget setting process shows how these reserves will be used to support the change programme over the medium-term. However, it is important to note that of these usable reserves, £10.899m belongs to the ACPO Criminal Records Office and associated activities, partly as a surety (£4.346m) but mainly to support its on-going activity (£6.553m). In addition, £2.118m is in respect of income from driver training which is earmarked for a camera digitalisation programme.

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

Material Assets Acquired or Liabilities Incurred

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

Unusual Charges or Credits within the accounts

There 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 Commissioner is required to accrue for any annual leave, flexitime and time off in lieu which had been earned but not taken at 31 March each year. The amount accrued at 31 March 2017 was £4.164m (£4.070m as at 31 March 2016).

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.

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.

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 of the group over the year is set out in this narrative statement and more detail is shown in the accounts which follow. Key risks to the Commissioner and the Chief Constable (in separate statements 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.justiceinspectorates.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 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.”

Comparison of accounts with the revenue outturn

The Comprehensive Income and Expenditure Statement is presented in a format that complies with the Code of Practice and shows the net cost of providing services in accordance with generally accepted accounting practices. These costs include charges for the Commissioner’s pension scheme (in accordance with International Accounting Standard 19 – IAS19) as well as depreciation and losses on disposal or impairment of property, plant and equipment assets, and other adjustments.

This is a different basis to the way the management accounts are produced. For the purpose of setting the council tax 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.

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)**

The following table reconciles the actual expenditure in the year to the accounting statements.

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.

Capital Expenditure

Capital expenditure is incurred on the acquisition and enhancement of the Commissioner's assets which have a life of more than one year. The PCC approved a Capital Programme of £38.4m for 2016/17 in February 2016, including costs for the next phase of the Estates Change Programme (ECP).

The capital programme was updated and revised in the year to reflect commitments carried forward, slippage from 2016/17 and a rephasing of commitments generally. The programme was revised to £47.3m. Total expenditure in 2016/17 was £28.6m. Of this, £26.3m of capital expenditure was on property, plant and equipment and vehicles with the balance (£2.3m) being expended on premises which the Commissioner does not own but is occupied by his staff and officers under joint-working arrangements, including the joint police and fire strategic headquarters at Eastleigh. The actual expenditure was funded mainly from general and specific government capital grants and capital receipts from the disposal of surplus properties (part of the ECP), including the former police headquarters building in Winchester.

An underspend of £18.7m, against the revised capital programme, was due in the main to slippage on the ECP (£11.6m underspend), and various technology-related projects (£6.3m underspend).

With some large capital receipts in the year, together with government grants and revenue contributions, there was a decrease in the underlying need to borrow as at the end of the year. Thus, the £7.6m surplus of actual capital receipts (£30.2m) over those required to fund the capital programme (£22.6m) was used to reduce the capital financing requirement and, thereby, to reduce the future requirement to make minimum revenue provision in the annual revenue budget. This was a planned contribution as the overall financing for the ECP – as a multi-year programme - anticipated a number of capital receipts and any increase in the underlying need to borrow in earlier years of that programme were deemed temporary.

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

2015/16 £m		**2016/17 £m**
	Expenditure:	
18.2	Land & Buildings	22.0
1.0	Vehicles (Including Boats) and Plant	3.0
3.1	IT & Operational Equipment	3.6
22.3	**Total**	**28.6**
	Funded by:	
(4.0)	Government Grant	(2.8)
(6.3)	Capital Receipts	(22.6)
(0.4)	Donated Assets	0.0
(5.0)	Revenue Contributions	(3.2)
(6.6)	Borrowing (incl. Internal)	0.0
(22.3)	**Total**	**(28.6)**

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 fully 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.

Further information

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

The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

Certification of Accounts

The Chief Finance Officer's Statement

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

Signed:

Date:

Approval of the Accounts by the Police and Crime Commissioner

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 POLICE AND CRIME COMMISSIONER FOR HAMPSHIRE

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

We have audited the financial statements of the Police and Crime Commissioner for Hampshire for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the;

- Police and Crime Commissioner for Hampshire and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Hampshire and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Hampshire and Group Balance Sheet;
- Police and Crime Commissioner for Hampshire and Group Cash Flow Statement;
- related notes 1 to 37
- Police and Crime Commissioner for Hampshire and Group Expenditure and Funding Analysis to the Accounts; and
- Police and Crime Commissioner for Hampshire Pension Fund Account Statements;

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 Police and Crime Commissioner for 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 Police and Crime Commissioner for Hampshire, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 15, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts 2016/17, 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 Police and Crime Commissioner for Hampshire and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 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 Police and Crime Commissioner for Hampshire and Group 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 to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Police and Crime Commissioner for Hampshire and Group;
- 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 Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Police and Crime Commissioner’s responsibilities

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

Auditor’s responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the 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 Police and Crime Commissioner for Hampshire has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our 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 PCC 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 PCC 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 Police and Crime Commissioner for 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 Police and Crime Commissioner for Hampshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Hampshire in accordance with the requirements of the 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 Police and Crime Commissioner

1. Scope of Responsibility

1.1 The Police and Crime Commissioner is responsible for ensuring that:

- 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.
- he secures continuous improvements in the way in which 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 Police and Crime Commissioner's functions and which include arrangements for the management of risk.

1.2 This Statement explains how the Police and Crime Commissioner 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 Office of the Police and Crime Commissioner is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Police and Crime Commissioner to monitor the achievements of the Police and Crime Plan and to consider whether they 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 Police and Crime Commissioner’s policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

2.4 The Police and Crime Commissioner 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 Police and Crime Commissioner's operates in an open and transparent way and the Police and Crime Commissioner sets the tone for the organisation by creating a climate and culture of openness, support, and respect. The Police and Crime Commissioner has adopted the Code of Ethics.

3.1.2 The Police and Crime Commissioner 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 Police and Crime Commissioner's Scheme of Corporate Governance. The Scheme of Corporate Governance demonstrates a comprehensive commitment on the part of the Police and Crime Commissioner to integrity, ethical values and the rule of law.

3.1.3 The key governance legal powers and responsibilities within the Office of the Police and Crime Commissioner 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 Police and Crime Commissioner has produced the Police and Crime Plan. The Plan sets out the Police and Crime Commissioner's Vision, Priorities and Mission. The clear strategic aims of which are communicated on the Police and Crime Commissioner's website and through various communications. This provides an operating model for business planning. The mission for the Police and Crime Commissioner is:

YOU
YOUR FAMILY
YOUR COMMUNITY
SAFER

3.2.2 The Police and Crime Commissioner has a clear governance framework for corporate decision making. 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 is undertaken on an ongoing basis to inform decision making. Targeted consultation takes place for specific decisions such as the public consultation on the council tax precept. The Police and Crime Commissioner hosts public events and attends community events to inform and consult the public. The Police and Crime Commissioner is scrutinised by the Police and Crime Panel which consists of members from local authorities who also consult their local communities and offer feedback to the Police and Crime Commissioner.

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

3.3.1 The strategic aims set out in the Police and Crime Plan underpin the Police and Crime Commissioner's overarching ambitions for delivering positive economic, social and environmental outcomes for Hampshire and the Isle of Wight. Delivery of the Plan is monitored internally within the Office of the Police and Crime Commissioner and also through the scrutinising function of the Police and Crime Panel. Ultimately the Police and Crime Commissioner is held to account by the electorate.

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 Police and Crime Commissioner 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. 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.

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 Police and Crime Commissioner operates.

3.4.5 Risks associated with the achievement of intended outcomes are detailed in Risk Registers held at strategic 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 Police and Crime Commissioner places a significant value of the capability of leadership. 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 Police and Crime Commissioner regularly reviews the structure of the 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 Police and Crime Commissioner operates a robust Risk Management Strategy, with 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 An Information Governance Board is in place that is chaired by the Senior Information Risk Officer and reports into the strategic risk process.

3.6.3 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources.

3.6.4 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 Police and Crime Commissioner's key risks and objectives, this includes a periodic review of the Police and Crime Commissioner's risk management processes.

3.6.5 The audit plan remains fluid to ensure internal audit's ability to react to the changing needs of the Police and Crime Commissioner.

3.6.6 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.

3.6.7 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.

3.6.8 The Joint Audit Committee is well established and provides independent advice to the Police and Crime Commissioner. 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.

3.6.9 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.

3.6.10 The Police and Crime Commissioner has a well-developed and effective scrutiny function via the Police and Crime Panel.

3.6.11 The Police and Crime Commissioner 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 leadership team and all formal financial decision making has the benefit of the advice and review of the Chief Financial Officer or their representative.

3.6.12 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.

3.6.13 Financial management in key risk areas across the Police and Crime Commissioner focusses on activity and performance management alongside the budget management processes and the financial management framework 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 performance 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 Police and Crime Commissioner'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 any statutory inspections, for example, the Health and Safety Executive. 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.

4.4 In conjunction with specialist Internal Audit support, the Police and Crime Commissioner 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 Police and Crime Commissioner 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 team within the Police and Crime Commissioner 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 Police and Crime Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the officers within the Police and Crime Commissioner 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 Police and Crime Commissioner'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 'role of the manager' review within shared services was completed in 2016/17 and the Police and Crime Commissioner approved funding for the improvements in 2016/17. A project team is in place making changes but the project will not complete until 2017/18.

6.2 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 has a shared ICT function for which Thames Valley Police is the lead partner. The Police and Crime Commissioner undertook to ensure that satisfactory programme governance arrangements are in place and that Collaboration Board meetings are held four times each year. This has been achieved.

7.2 The Police and Crime Commissioner planned to make further improvements to the shared services environment. A 'role of the manager' review was completed in 2016/17 and the Police and Crime Commissioner approved funding from reserves to make the improvements. A project team is in place making changes for delivery in 2017/18.

7.3 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.

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:
Police and Crime Commissioner Date:	Chief Finance Officer Date:

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. management accounts) and the statutory accounts (i.e. the financial accounts), the EFA is presented before the main statements in this document.

2015/16				2016/17		
Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between accounting and funding basis £'000	Net expenditure in the CIES £'000		Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between accounting and funding basis £'000	Net expenditure in the CIES £'000
270,223	8,635	278,859	Operational policing services	278,876	5,114	283,990
1,583	0	1,583	Office of the Police and Crime Commissioner	1,942	0	1,942
1,346	0	1,346	Police and Crime Commissioner - Commissioning	1,822	0	1,822
15,162	12,514	27,675	Police and Crime Commissioner - Estate	14,997	16,264	31,261
44	15,895	15,939	Other items not allocated to services	(756)	(5,337)	(6,093)
288,358	37,044	325,402	**Net cost of Policing Services**	296,881	16,041	312,922
(291,046)	84,480	(206,566)	Other income and expenditure	(295,554)	75,836	(219,718)
(2,688)	**121,524**	**118,836**	**Net (Surplus)/deficit on the provision of services**	**1,327**	**91,877**	**93,204**
(84,290)			**Opening General Fund (including earmarked reserves) balance at 1 April**	(86,978)		
(2,688)			Plus net (surplus)/deficit on the provision of services	1,327		
(86,978)			**Closing General Fund (including earmarked reserves) balance at 31 March**	(85,651)		

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

2015/16 £'000		2016/17 £'000
(22,784)	Operational policing services	(21,982)
(28)	Office of the Police and Crime Commissioner	(16)
0	Police and Crime Commissioner - Commissioning	0
(161)	Police and Crime Commissioner - Estate	(105)
0	Other items not allocated to services	0
(22,973)	**Total income from external customers analysed by service**	**(22,103)**

2015/16 Net Expenditure chargeable to the General Fund Balance £'000	2015/16 Adjustments between accounting and funding basis £'000	2015/16 Net expenditure in the CIES £'000		2016/17 Net Expenditure chargeable to the General Fund Balance £'000	2016/17 Adjustments between accounting and funding basis £'000	2016/17 Net expenditure in the CIES £'000
1,583	0	1,583	Office of the Police and Crime Commissioner	1,942	0	1,942
1,346	0	1,346	Police and Crime Commissioner - Commissioning	1,822	0	1,822
10,797	16,879	27,676	Police and Crime Commissioner - Estate	14,997	17,807	32,804
13,726	16,879	30,605	**Net cost of Policing Services**	18,761	17,807	36,568
(291,046)	(11,220)	(302,266)	Other income and expenditure	(295,554)	(16,804)	(312,358)
(277,320)	**5,659**	**(271,661)**	**Net (Surplus)/deficit on the provision of services before funding**	(276,793)	1,003	(275,790)
274,632	0	274,632	Intra-group funding	278,120	0	278,120
(2,688)	**5,659**	**2,971**	**Net (Surplus)/deficit on the provision of services**	**1,327**	**1,003**	**2,330**
(84,290)			**Opening General Fund (including earmarked reserves) balance at 1 April**	(86,978)		
(2,688)			Plus net (surplus)/deficit on the provision of services	1,327		
(86,978)			**Closing General Fund (including earmarked reserves) balance at 31 March**	(85,651)		

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

2015/16 £'000		2016/17 £'000
0	Operational policing services	0
(28)	Office of the Police and Crime Commissioner	(16)
0	Police and Crime Commissioner - Commissioning	0
(161)	Police and Crime Commissioner - Estate	(105)
0	Other items not allocated to services	0
(189)	**Total income from external customers analysed by service**	**(121)**

Comprehensive Income and Expenditure Statement - Group

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. 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	
Gross expenditure	Gross Income	Net expenditure		Gross expenditure	Gross Income	Net expenditure
£'000	£'000	£'000		£'000	£'000	£'000
319,892	(41,033)	278,859	Operational policing services	326,835	(42,845)	283,990
1,610	(27)	1,583	Office of the Police and Crime Commissioner	1,958	(16)	1,942
3,617	(2,271)	1,346	Police and Crime Commissioner - Commissioning	4,365	(2,543)	1,822
27,953	(278)	27,675	Police and Crime Commissioner - Estate	31,522	(261)	31,261
35,082	(19,143)	15,939	Other items not allocated to services	12,193	(18,286)	(6,093)
388,154	(62,752)	325,402	**Cost of Policing Services**	376,873	(63,951)	312,922
			Other income and expenditure:-			
57,094	(55,019)	2,075	Other operating income and expenditure	47,955	(54,902)	(6,947)
97,158	(756)	96,402	Financing and investment income and expenditure	94,038	(811)	93,227
0	(305,043)	(305,043)	Taxation and non-specific grant income	0	(305,998)	(305,998)
154,252	(360,818)	(206,566)	**Total other (income)/expenditure**	141,993	(361,711)	(219,718)
		118,836	**(Surplus) or Deficit on the Provision of Services**			93,204
		(41,508)	(Surplus) or deficit on revaluation of PPE assets			(21,039)
		31	(Surplus) or deficit on revaluation of available for sale financial assets			(187)
		(378,378)	Remeasurement of the net defined pension benefit liability/(asset)			569,640
		(419,855)	**Other Comprehensive (Income)/Expenditure**			548,414
		(301,019)	**Total Comprehensive (Income)/Expenditure**			641,618

Comprehensive Income and Expenditure Statement – PCC

2015/16 Gross expenditure £'000	2015/16 Gross Income £'000	2015/16 Net expenditure £'000		2016/17 Gross expenditure £'000	2016/17 Gross Income £'000	2016/17 Net expenditure £'000
1,610	(27)	1,583	Office of the Police and Crime Commissioner	1,958	(16)	1,942
3,617	(2,271)	1,346	Police and Crime Commissioner - Commissioning	4,365	(2,543)	1,822
27,953	(278)	27,675	Police and Crime Commissioner - Estate	33,065	(261)	32,804
33,180	(2,576)	30,604	**Cost of Policing Services**	39,388	(2,820)	36,568
			Other income and expenditure:-			
57,094	(55,019)	2,075	Other operating income and expenditure	47,955	(54,902)	(6,947)
1,458	(756)	702	Financing and investment income and expenditure	1,398	(811)	587
0	(305,043)	(305,043)	Taxation and non-specific grant income	0	(305,998)	(305,998)
58,552	(360,818)	(302,266)	**Total other (income)/expenditure**	49,353	(361,711)	(312,358)
		(271,662)	**(Surplus) or Deficit on the Provision of Services before funding**			(275,790)
		274,632	Intra-group funding			278,120
		2,970	**(Surplus) or Deficit on the Provision of Services**			2,330
		(41,508)	(Surplus) or deficit on revaluation of PPE assets			(21,039)
		31	(Surplus) or deficit on revaluation of available for sale financial assets			(187)
		0	Remeasurement of the net defined pension benefit liability/(asset)			0
		(41,477)	**Other Comprehensive (Income)/Expenditure**			(21,226)
		(38,507)	**Total Comprehensive (Income)/Expenditure**			(18,896)

Movement in Reserves Statement - Group

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

Note	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves *29*	Total Group Reserves	*Note*
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2015	**(84,290)**	**0**	**0**	**(84,290)**	**2,925,935**	**2,841,645**	
Movements during 2015/16							
Total Comprehensive Income and Expenditure	118,836	0	0	118,836	(419,855)	(301,019)	
Adjustments between accounting basis & funding basis under regulations	(121,524)	0	0	(121,524)	121,524	0	*13*
(Increase)/Decrease in year	**(2,688)**	**0**	**0**	**(2,688)**	**(298,331)**	**(301,019)**	
Balance at 31 March 2016	**(86,978)**	**0**	**0**	**(86,978)**	**2,627,603**	**2,540,625**	
Movements during 2016/17							
Total Comprehensive Income and Expenditure	93,204	0	0	93,204	548,414	641,618	
Adjustments between accounting basis & funding basis under regulations	(91,877)	0	0	(91,877)	91,877	0	*13*
(Increase)/Decrease in year	**1,327**	**0**	**0**	**1,327**	**640,291**	**641,618**	
Balance at 31 March 2017	**(85,651)**	**0**	**0**	**(85,651)**	**3,267,893**	**3,182,242**	

Movement in Reserves Statement - PCC

	Note	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	*Note*
						29		
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Balance at 31 March 2015		**(84,290)**	**0**	**0**	**(84,290)**	**(112,336)**	**(196,626)**	
Movements during 2015/16								
Total Comprehensive Income and Expenditure		2,971	0	0	2,971	(41,477)	(38,506)	
Adjustments between accounting basis & funding basis under regulations		(5,659)	0	0	(5,659)	5,659	0	*13*
(Increase)/Decrease in year		**(2,688)**	**0**	**0**	**(2,688)**	**(35,818)**	**(38,506)**	
Balance at 31 March 2016		**(86,978)**	**0**	**0**	**(86,978)**	**(148,154)**	**(235,132)**	
Movements during 2016/17								
Total Comprehensive Income and Expenditure		2,330	0	0	2,330	(21,226)	(18,896)	
Adjustments between accounting basis & funding basis under regulations		(1,003)	0	0	(1,003)	1,003	0	*13*
(Increase)/Decrease in year		**1,327**	**0**	**0**	**1,327**	**(20,223)**	**(18,896)**	
Balance at 31 March 2017		**(85,651)**	**0**	**0**	**(85,651)**	**(168,378)**	**(254,029)**	

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

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

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

31 March 2016		31 March 2017	Note
£'000		£'000	
195,332	Property, plant and equipment	207,793	17
19,112	Long term investments	24,424	23
543	Long term debtors	455	23
214,987	**Long Term Assets**	**232,672**	
33,753	Short term investments	34,142	23
1,540	Assets held for sale	315	19
1,034	Inventories	881	24
39,457	Short term debtors	40,789	25
15,042	Cash and cash equivalents	13,635	26
90,826	**Current Assets**	**89,762**	
(1,407)	Short term borrowing	(1,402)	23
(417)	Grants received in advance - revenue	(391)	12
(212)	Other short-term liabilities	(212)	
(39,013)	Short term creditors	(38,333)	27
(45)	Provisions	0	28
(41,094)	**Current Liabilities**	**(40,338)**	
49,732	**Net Current Assets**	**49,424**	
(33,021)	Long term borrowing	(31,807)	23
(636)	Other long term liabilities	(424)	
(2,771,687)	Net liability related to pension schemes	(3,432,107)	8
(2,805,344)	**Long Term Liabilities**	**(3,464,338)**	
(2,540,625)	**Net Assets/(Liabilities)**	**(3,182,242)**	
	Financed by:		
(86,978)	Usable reserves	(85,651)	14
2,627,603	Unusable reserves	3,267,893	29
2,540,625	**Total Reserves**	**3,182,242**	

Signed: (Chief Finance Officer)

31 March 2016		31 March 2017	Note
£'000		£'000	
195,332	Property, plant and equipment	207,793	17
19,112	Long term investments	24,424	23
543	Long term debtors	455	23
214,987	**Long Term Assets**	**232,672**	
33,753	Short term investments	34,142	23
1,540	Assets held for sale	315	19
1,034	Inventories	881	24
39,457	Short term debtors	40,789	25
15,042	Cash and cash equivalents	13,635	26
90,826	**Current Assets**	**89,762**	
(1,407)	Short term borrowing	(1,402)	23
(417)	Grants received in advance - revenue	(391)	12
(212)	Other short-term liabilities	(212)	
(34,943)	Short term creditors	(34,169)	27
(45)	Provisions	0	28
(37,024)	**Current Liabilities**	**(36,174)**	
53,802	**Net Current Assets**	**53,588**	
(33,021)	Long term borrowing	(31,807)	23
(636)	Other long term liabilities	(424)	
(33,657)	**Long Term Liabilities**	**(32,231)**	
235,132	**Net Assets/(Liabilities)**	**254,029**	
	Financed by:		
(86,978)	Usable reserves	(85,651)	14
(148,154)	Unusable reserves	(168,378)	29
(235,132)	**Total Reserves**	**(254,029)**	

Signed: (Chief Finance Officer)

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

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

2015/16 £'000		**2016/17 £'000**	*Note*
118,836	Net (surplus) or deficit on the provision of services	93,204	*CIES*
(124,989)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(124,710)	*35.2*
9,803	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32,898	*35.3*
3,650	**Net cash flows from Operating Activities**	**1,392**	
(2,237)	Investing Activities	(1,411)	*35.4*
2,129	Financing Activities	1,426	*35.5*
3,542	**Net (increase) or decrease in cash and cash equivalents**	**1,407**	
(18,584)	Cash and cash equivalents at the beginning of the reporting period	(15,042)	*35.6*
(15,042)	**Cash and cash equivalents at the end of the reporting period**	**(13,635)**	***35.6***

2015/16 £'000		2016/17 £'000	Note
2,971	Net (surplus) or deficit on the provision of services	2,330	*CIES*
(9,124)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(33,836)	*36.2*
9,803	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32,898	*36.3*
3,650	**Net cash flows from Operating Activities**	**1,392**	
(2,237)	Investing Activities	(1,411)	*36.4*
2,129	Financing Activities	1,426	*36.5*
3,542	**Net (increase) or decrease in cash and cash equivalents**	**1,407**	
(18,584)	Cash and cash equivalents at the beginning of the reporting period	(15,042)	*36.6*
(15,042)	**Cash and cash equivalents at the end of the reporting period**	**(13,635)**	***36.6***

Contents of Explanatory Notes to the Core Financial Statements

1 - Statement of Accounting Policies and Estimation Techniques

1.1 General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2016). This code is recognised by statute as representing proper accounting practices. Any significant non-compliance is explained in the following notes. The accounts have been compiled by applying the most appropriate policies and estimation techniques, taking into account the accounting concepts of qualitative characteristics of financial information (i.e. relevance, reliability, comparability and understandability), materiality and the pervasive accounting concepts (i.e. accruals, going concern and primacy of legislative requirements). All material income and expenditure including receipts, grants and employee costs have been accrued to the financial year to which they relate.

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

1.2 Accruals of Income and Expenditure

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

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

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

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

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

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

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

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

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

1.4 Charges to Revenue for Non-Current Assets

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

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

The Commissioner is not required to raise the council tax precept to fund depreciation, revaluation and impairment losses or amortisations. However, he is required to make an annual contribution from revenue towards the reduction in his overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Commissioner in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance – the Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.5 Events After the Reporting Period

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

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

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

1.6 Financial Instruments

1.6.1 Financial Liabilities

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

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

1.6.2 Financial Assets

Financial assets are classified into two types:

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

1.6.3 Loans and Receivables

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

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

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

1.7 VAT

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

1.8 Precept Income

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

1.9 Specific Grants

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

1.10 Investments

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

1.11 Interest

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

1.12 Foreign Currency Translation

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

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

1.13 Debtors and Creditors

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

1.14 Government Grants and Contributions

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

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

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

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

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

1.15 Employee Benefits

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

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-employment benefits

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

The Chief Constable participates in three post-employment schemes:

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

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

Police Pension Scheme (for Police Officers only)

There are three police pension schemes in operation, known as the 1987, 2006 and 2015 schemes which offer different terms and benefits. All are unfunded schemes. Both the Commissioner and officers make contributions to the pensions account based on pensionable pay. This amount is included within employees' costs. Pensions and lump sums are paid out of the pensions account. The difference between most pension account incomings and outgoings each year are paid to or from the Home Office. The exceptions to this funding arrangement are that the Commissioner is responsible for the costs of injury pensions and ill-health pension costs are met by a capital equivalent transfer from the Income and Expenditure Account to the Police Pension Fund Account when the officer retires.

Local Government Pension Scheme

Police staff members are eligible to join the Local Government Pension Scheme administered by Hampshire County Council. This is a funded scheme. In 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.

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

1.16 Liquid Resources

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

1.17 Cash and Cash Equivalents

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

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

1.18 Trading Account

The Commissioner has one trading account in respect of venue hire for functions at the Training and Support Headquarters. The income and expenditure is now included within the net cost of services to give clearer reconciliations between the financial ledger and the statement of accounts. Any net surplus or deficit is credited or debited to an earmarked reserve at the year end. The modest level of turnover of this account (c £135,000) means that no separate disclosure is made.

1.19 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.

1.20 Leases

1.20.1 Introduction

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

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

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

1.20.2 The Commissioner as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

1.20.3 The Commissioner as Lessor

Operating Leases

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

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

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

1.21.1 Recognition

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

1.21.2 Measurement

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

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

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

Where assets are revalued, increases in the valuation over the current value on the Balance Sheet are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where there has previously been an impairment loss charged to the cost of services. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date were consolidated into the opening balance on the Capital Adjustment Account.

1.21.3 Capital Receipts

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

1.21.4 Impairment

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

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

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

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

1.21.5 Componentisation

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

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

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

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

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

1.21.6 Depreciation

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

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

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

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

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

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

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

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

1.21.7 Disposals and Non-current Assets Held for Sale

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

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

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

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

1.22 Minimum Revenue Provision for the repayment of debt

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

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

1.23 Inventories

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

1.24 Provisions, Contingent Liabilities and Contingent Assets

1.24.1 Provisions

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

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

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

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

1.24.2 Contingent Liabilities

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

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

1.24.3 Contingent Assets

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

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

1.25 Reserves

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

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

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

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

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

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

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

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

1.26 Treasury Management

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

1.27 Fair Value

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

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

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

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

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

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

1.28 Revenue Expenditure Funded From Capital Under Statute

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

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

1.29 Bad debt

The Commissioner reviews the exposure to debtors failing to pay amounts which are due to the Commissioner on an annual basis and assesses whether there is a likelihood that a proportion of debts may be considered to be impaired on the basis of experience that some debts will be unrecoverable. The sum assessed as a provision for the impairment of bad and doubtful debts is £540,000.

1.30 Changes in Accounting Policies

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

1.31 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 Police and Crime Commissioner for Hampshire or the group accounts.

3 – Prior Period Adjustments

There were no changes in the accounts which warranted a prior period adjustment for the 2015/16 comparators to the 2016/17 disclosures. Changes were made as a result of the introduction of the Expenditure and Funding Analysis but these reconcile to the Comprehensive Income and Expenditure Statement comparators. 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 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 2016/17 Statement of Accounts:-

	Accounting determination		
Consideration	**PCC**	**CC**	**Reasoning**
Expenditure	✓	✓	CC to record all expenditure on staff, buildings, supplies and services, vehicles etc. which is employed in the delivery of operational policing except those directly attributable to the activity and functions of the PCC
Employees – IAS19		✓	As most members of staff are under the day to day operational command of the CC, the IAS 19 (employment benefits, including pensions and the adjustments in respect of accrued employee benefits) charges/credits are attributed to the CC. The net IAS19 adjustments are subject to statutory overrides in the Movement in Reserves Statement.
Charges for assets – i.e. depreciation and impairment	✓		Whilst the CC has day to day operational control of most assets such as buildings and vehicles, the PCC manages the estate and the strategic direction of the use of that estate. Additionally, he provides resources for the purchase of new assets, uses the proceeds from the sale of assets to fund future development or to pay down long-term debt and is responsible for the long- term decisions relating to the financing of his capital expenditure.

	Accounting determination		
Consideration	**PCC**	**CC**	**Reasoning**
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 Commissioner about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Commissioner's Balance Sheet at 31 March 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.

6 – Nature of Expenses - Group

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

2015/16 Expenditure in the CIES £'000		Note	2016/17 Expenditure in the CIES £'000
267,560	Employee Benefit Expenses	1	252,490
107,507	Other Service Expenses	2	108,828
13,087	Depreciation and Impairment	3	15,555
388,154	**Total Expenditure**		**376,873**
(39,779)	Grants, contributions and reimbursements		(41,848)
(22,973)	Fees, charges and other service income		(22,103)
(62,752)	**Total Income**		**(63,951)**
325,402	**Net Cost of Services**		**312,922**

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).

3. Depreciation and impairment charges are made to the CIES to reflect the use of fixed assets during the period. These are not chargeable to the general fund.

Nature of expenses – PCC

2015/16 Expenditure in the CIES £'000		Note	2016/17 Expenditure in the CIES £'000
2,947	Employee Benefit Expenses	1	2,735
17,146	Other Service Expenses	2	21,098
13,087	Depreciation and Impairment	3	15,555
33,180	**Total Expenditure**		**39,388**
(2,387)	Grants, contributions and reimbursements		(2,699)
(189)	Fees, charges and other service income		(121)
(2,576)	**Total Income**		**(2,820)**
30,604	**Net Cost of Services**		**36,568**

1. Employee benefit expenses include pay, employer national insurance contributions, employer pension contributions and other employee benefits.

2. Other service expenses includes 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).

3. Depreciation and impairment charges are made to the CIES to reflect the use of fixed assets during the period. These are not chargeable to the general fund.

7 - Expenditure and Funding Analysis – supporting note

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:-

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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
Office of the Police and Crime Commissioner	0	0	0	0
Police and Crime Commissioner - Commissioning	0	0	0	0
Estates Change Programme	12,514	0	0	12,514
Other items not allocated to services	4,365	11,530	0	15,895
Net cost of services	**16,879**	**19,888**	**277**	**37,044**
Other income and expenditure from the funding analysis	(11,804)	95,700	584	84,480
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	**5,075**	**115,588**	**861**	**121,524**

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
Office of the Police and Crime Commissioner	0	0	0	0
Police and Crime Commissioner - Commissioning	0	0	0	0
Estates Change Programme	16,264	0	0	16,264
Other items not allocated to services	1,543	(6,880)	0	(5,337)
Net cost of services	**17,807**	**(1,860)**	**94**	**16,041**
Other income and expenditure from the funding analysis	(16,974)	92,640	170	75,836
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	**833**	**90,780**	**264**	**91,877**

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

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;
- 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

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

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

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

- The Local Government Pension Scheme (LGPS) for support staff, administered by Hampshire County Council. This is a funded defined benefit scheme, meaning that the Chief Constable and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;
- Arrangements for the award of discretionary post retirement benefits upon early retirement in respect of members of the LGPS. Liabilities are recognised when an award is made and the Chief Constable recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure. Note that the employer's liabilities under these arrangements are not material and the relevant transactions and liabilities are included with the overall LGPS funded scheme;
- Three schemes for police officers – the 1987, 2006 and 2015 schemes. These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amount receivable by the pensions fund for the year is less than amount paid out, the Commissioner must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary approval, up to 100% of this cost is met by a central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Commissioner which must then repay the amount to central government;
- The Commissioner is also liable for payment of initial and ongoing costs in respect of officers who receive injury pension. Injury awards are funded by the employer in their entirety and are not part of the pension fund account.

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, 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				
Cost of Services				
- 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)
Financing and Investment Income and Expenditure				
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**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in the net interest expense)	0	0	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**
Movement in Reserves Statement				
Reverse charge to Provision of Services	(137,180)	**(120,490)**	(17,690)	**(9,210)**
Actual Amount charged against the General Fund Balance for pensions in the year				
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]

	Injury Pensions (police officers)		All schemes - Summary	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
- 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)**
Financing and Investment Income and Expenditure			**0**	**0**
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**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets	**0**	**0**	**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**
Movement in Reserves Statement				
Reverse charge to Provision of Services	**(3,180)**	**(2,650)**	**(158,050)**	**(132,350)**
Actual Amount charged against the General Fund Balance for pensions in the year				
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**

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.

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:-

Value at year ending	Police Pension Schemes 31 March 2016 £m	Police Pension Schemes 31 March 2017 £m	Injury Pensions (police officers) 31 March 2016 £m	Injury Pensions (police officers) 31 March 2017 £m
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**

Value at year ending	Local Govt Pension Scheme 31 March 2016 £m	Local Govt Pension Scheme 31 March 2017 £m	Total 31 March 2016 £m	Total 31 March 2017 £m
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**

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
	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**

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;
- 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:

	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:-

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%

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 Chief Executive to the OPCC was a full-time secondment from Hampshire County Council until he left in February 2017. Similar assurances as with the CFO would have applied. After that date, the Chief Executive became an employee of the OPCC.

The Code also requires members of the Office of the Police and Crime Commissioner, Chief Officers in the Constabulary and certain other senior officers to declare if there were any related party (e.g. close family or business associates) transactions due to their ability to influence spending decisions. There were no related party transaction disclosures in 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.

During 2014/15, the Commissioner entered into a number of joint working agreements with Hampshire County Council and Hampshire Fire and Rescue Services for a range of corporate services including finance, HR, IT, facilities management and procurement across the three organisations. The services are hosted but not controlled by Hampshire County Council as they are delivered with joint direction, governance, control and senior management with each organisation accounting for its share of cost in accordance with the individual agreements. The total cost of these services in 2016/17 was £27m (£27m in 2015/16) of which the Commissioner's share was £6.9m (£6.5m in 2015/16).

10 – Officer and Staff Remuneration

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

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

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

The 2015 regulations define senior police officers for these purposes as being those with the rank of superintendent or above. However, prior to 2016/17 the Commissioner 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.

	2015/16			2016/17		
Remuneration Band	**Number of employees**			**Number of employees**		
	CC	**PCC**	**Group Total**	**CC**	**PCC**	**Group Total**
£50,000 - £54,999	166	2	168	192	2	194
£55,000 - £59,999	104	1	105	114	1	115
£60,000 - £64,999	20	1	21	22	0	22
£65,000 - £69,999	10	0	10	8	0	8
£70,000 - £74,999	10	0	10	9	0	9
£75,000 - £79,999	4	0	4	9	0	9
£80,000 - £84,999	6	1	7	4	0	4
£85,000 - £89,999	3	1	4	2	0	2
£90,000 - £94,999	3	0	3	0	1	1
£95,000 - £99,999	1	0	1	0	0	0
£105,000 - £109,999	1	0	1	1	0	1
£110,000 - £114,999	1	0	1	0	0	0
£115,000 - £119,999	1	0	1	0	0	0
£125,000 - £129,999	1	0	1	0	0	0
£140,000 - £144,999	1	0	1	0	0	0
£150,000 - £154,999	2	0	2	0	0	0
Totals	**334**	**6**	**340**	**361**	**4**	**365**

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

Remuneration for relevant police officers and senior employees

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

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

2016/17 Disclosure
Post holder information

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
Office of the PCC									
PCC For Hampshire & Isle of Wight - 1/4/16 - 11/5/16	9,597	0	0	0	0		1,257	10,854	
PCC For Hampshire & Isle of Wight - 12/5/16 - 31/3/17	75,403	0	0	0	0		9,878	85,281	
Interim Chief Executive 8/2/17 - 31/3/17	14,085	0	0	0	0		1,845	15,930	
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	
	788,534	**0**	**0**	**111,635**	**13,690**	**0**	**139,545**	**1,053,404**	1,2,3

Note 1: The Treasurer is the statutory Chief Financial Officer. This is a part-time role and the Treasurer's remuneration details are disclosed by Hampshire County Council. A recharge is made to the PCC from the County Council in respect of the time and cost of the statutory role carried out by the Treasurer. This charge was £21,651 (This figure include all Employers Oncosts)

Note 2: The Chief Executive for the PCC was being supplied by Hampshire County Council as a secondment up to the point that this arrangement ended on 7 February 2017. The remuneration in respect of the officer providing this function is disclosed by Hampshire County Council. A recharge of £106,395 was made to the PCC (inclusive of employer's oncosts), which is recorded in his accounts.

Note 3: The Chief Finance Officer for Hampshire Constabulary is employed by Hampshire County Council as part of the H3 partnership. The Officer providing this function is included within the remuneration details are disclosed by Hampshire County Council. A recharge is made to the Constabulary from the County Council in respect of the cost of the Chief Finance Officer. This charge was £81,961 (This figure includes all Employer Oncosts)

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
Office of the PCC									
PCC For Hampshire & Isle of Wight	85,000	0	0	0	0		11,135	96,135	
Constabulary									
Chief Constable - 1/4/15 to 31/1/16 - A Marsh	146,920	0	0	0	5,106		29,469	181,495	
Acting Chief Constable - 1/2/16 to 31/3/16 - G McNulty	26,146	0	0	0	0		4,654	30,800	
Deputy Chief Constable - 1/4/15 to 31/1/16	124,992	0	0	0	0		23,155	148,147	
Acting Deputy Chief Constable - 1/2/16 to 31/3/16	22,821	0	0	0	1,246		4,654	28,721	
Acting ACC - Crime and Criminal Justice - 1/4/15 to 3/5/15	10,483	0	0	0	21		1,607	12,111	4
ACC - Crime and Criminal Justice - 4/5/15 to 31/3/16	105,400	0	0	0	219		19,638	125,257	
Acting ACC - Crime and Criminal Justice - 1/4/15 to 3/5/15	8,718	0	0	0	21		1,585	10,324	
ACC - Territorial Operations - 1/4/15 to 31/1/16	99,165	0	0	0	6,357		19,262	124,784	
Acting ACC - Joint Operations - 1/1/16 to 31/3/16	25,275	0	0	0	975		4,380	30,630	
Assistant Chief Officer - Business and Resources	110,725	0	0	0	0		12,951	123,676	
	765,645	**0**	**0**	**0**	**13,945**	**0**	**132,490**	**912,080**	1,2,3

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

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

Note 3: The Chief Finance Officer for Hampshire Constabulary is employed by Hampshire County Council as part of the H3 partnership. The Officer providing this function is included within the remuneration details are disclosed by Hampshire County Council. A recharge is made to the Constabulary from the County Council in respect of the cost of the Chief Finance Officer. This charge was £77,787 (This figure includes all Employer Oncosts)

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

Exit Packages in Bands of £20,000 – Group

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16 No.	2016/17 No.	2015/16 No.	2016/17 No.	2015/16 No.	2016/17 No.	2015/16 £'000	2016/17 £'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.

12 – Grant Income – Group and Commissioner

2015/16 £'000		2016/17 £'000
	Credited to Taxation and Non-Specific Grant Income	
(103,568)	Council Tax Precept	(107,137)
(63,501)	Formula funding	(63,139)
(120,701)	Police Grant	(120,012)
(12,944)	Council tax legacy grant	(12,944)
(4,329)	Government Grant to Finance Capital Expenditure	(2,766)
(305,043)	**Total**	**(305,998)**

Credited to Services

2015/16 £'000		2016/17 £'000
(3,007)	Dedicated Security Posts grant	(2,983)
(7,083)	Home Office grants to ACPO Criminal Records Office	(3,864)
0	Contributions to National Wildlife Crime Unit (ACRO)	(379)
(2,272)	Restorative Justice/Victims Support grant	(2,543)
(536)	Disclosure and Barring Service funding	(561)
(400)	Contributions to National Police Freedom of Information and Data Protection Unit (ACRO - formerly FOI Central Referral Unit)	(401)
(96)	Home Office Prevent grant	(114)
0	NHS Medical in custody grant	(58)
(169)	Other Home Office Grants	0
0	Home Office grant for emergency services mobile communications programme (ESMCP)	(895)
(821)	NATO special operations grant	0
(2,834)	Innovation Fund	(2,798)
(12)	Local Criminal Justice Board funding	(44)
(437)	Miscellaneous grants	(822)
(17,667)	**Total**	**(15,462)**

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

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)**

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

Current Liabilities

Grants Receipts in Advance - Revenue Grants

2015/16 £'000		2016/17 £'000
(312)	EU grant for ACRO	(222)
0	College of Policing	(31)
(58)	NHS medical service in custody grant	0
(47)	Other miscellaneous grants and contributions	(138)
(417)		**(391)**

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

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

2016/17	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'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)	(170)			170
* 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):	(38,389)			38,389
Total Adjustments to Revenue Resources	**(129,433)**	**0**	**0**	**129,433**
Adjustments between Revenue and Capital Resources				
* Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	30,132	(30,132)		
* Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0		
* Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,442			(1,442)
* Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,216			(3,216)
Total Adjustments between Revenue and Capital Resources	**34,790**	**(30,132)**	**0**	**(4,658)**
Adjustments to Capital Resources				
* Use of the Capital Receipts Reserve to finance capital expenditure		30,132		(30,132)
* Application of capital grants to finance capital expenditure	2,766			(2,766)
* Cash payments in relation to deferred capital receipts				
Total Adjustments to Capital Resources	**2,766**	**30,132**	**0**	**(32,898)**
Total Adjustments	**(91,877)**	**0**	**0**	**91,877**

2015/16	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'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)	(584)			584
* 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):	(22,222)			22,222
Total Adjustments to Revenue Resources	**(138,671)**	**0**	**0**	**138,671**
Adjustments between Revenue and Capital Resources				
* Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,176	(6,176)		
* Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0		
* Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,664			(1,664)
* Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,978			(4,978)
Total Adjustments between Revenue and Capital Resources	**12,818**	**(6,176)**	**0**	**(6,642)**
Adjustments to Capital Resources				
* Use of the Capital Receipts Reserve to finance capital expenditure		6,176		(6,176)
* Application of capital grants to finance capital expenditure	4,329			(4,329)
* Cash payments in relation to deferred capital receipts				
Total Adjustments to Capital Resources	**4,329**	**6,176**	**0**	**(10,505)**
Total Adjustments	**(121,524)**	**0**	**0**	**121,524**

14 – Transfers (to)/from Usable Reserves

This note identifies the movement on the General Fund Balance, earmarked general fund (revenue) reserves, other revenue reserves and capital reserves. These are the total of the Usable Reserves shown on the Balance Sheet.

	Balance 1 April 2015 £'000	Movement in 2015/16 £'000	Balance 31 March 2016 £'000	Movement in 2016/17 £'000	Balance 31 March 2017 £'000
Revenue Reserves					
A. General Fund Balance	**(18,681)**	**1,168**	**(17,513)**	**7,534**	**(9,979)**
B. PCC Earmarked Revenue Reserves					
Fully committed to Existing Spend Programmes					
Carry Forward Reserve	**(6,257)**	(1,557)	**(7,814)**	883	**(6,931)**
Commissioning Reserve	**(1,703)**	741	**(962)**	366	**(596)**
Laboratory Reserve	**(103)**	0	**(103)**	(50)	**(153)**
Capital (Revenue Contributions) Reserve	**(422)**	(2,624)	**(3,046)**	254	**(2,792)**
Revenue Grants Unapplied	**(388)**	82	**(306)**	(894)	**(1,200)**
	(8,873)	**(3,358)**	**(12,231)**	**559**	**(11,672)**
Departmental/Trading Reserves					
Netley Business Plan	**(198)**	(20)	**(218)**	(21)	**(239)**
	(198)	**(20)**	**(218)**	**(21)**	**(239)**
Risk Reserves					
Risk Reserve	**(7,662)**	0	**(7,662)**	7,662	**0**
Estate Risk Reserve	**(2,750)**	0	**(2,750)**	0	**(2,750)**
Insurance Reserve	**(894)**	0	**(894)**	(583)	**(1,477)**
	(11,306)	**0**	**(11,306)**	**7,079**	**(4,227)**
Corporate Reserves					
Equipment Reserve	**(1,000)**	0	**(1,000)**	0	**(1,000)**
Grant Equalisation Reserve	**0**	(5,000)	**(5,000)**	5,000	**0**
Performance Reserve	**0**	(2,000)	**(2,000)**	307	**(1,693)**
Transformation Reserve	**(33,685)**	6,018	**(27,667)**	(18,185)	**(45,852)**
	(34,685)	**(982)**	**(35,667)**	**(12,878)**	**(48,545)**
Total Earmarked Revenue Reserves Available	**(55,062)**	**(4,360)**	**(59,422)**	**(5,261)**	**(64,683)**
C. Other Earmarked Revenue Reserves					
ACRO Surety	**(4,094)**	0	**(4,094)**	94	**(4,000)**
AVCIS Surety	**(300)**	(46)	**(346)**	0	**(346)**
ACRO	**(6,153)**	550	**(5,603)**	(1,040)	**(6,643)**
	(10,547)	**504**	**(10,043)**	**(946)**	**(10,989)**
Total Revenue Reserves and Balances	**(84,290)**	**(2,688)**	**(86,978)**	**1,327**	**(85,651)**
Capital Reserves					
Capital Grants Unapplied	**0**	0	**0**	0	**0**
Capital Receipts Reserve	**0**	0	**0**	0	**0**
Total Capital Reserves and Balances	**0**	**0**	**0**	**0**	**0**
Total Usable Reserves	**(84,290)**	**(2,688)**	**(86,978)**	**1,327**	**(85,651)**

Earmarked revenue reserves are held by the Commissioner for the following purposes:

- The Carry Forward Reserve is for approved budget carry forwards from surpluses generated from devolved budgets or from the ACPO Criminal Records Office (ACRO);
- The Commissioning Reserve is used for grant funding schemes established by third parties who support the priorities in the Police and Crime Plan. Previously known as the Protecting People and Places Reserve, this was set up with using the unspent balance from a one-off budget in the OPCC's revenue account in 2013/14 and is a major element of the funding for the PCC's Commissioning Plan 2013/17;
- The Laboratory Reserve is available to pay for renewal of equipment as part of a joint scheme with Hampshire County Council. This reserve will be used periodically and replenished in between;
- The Capital (Revenue Contributions) Reserve receives sums from the revenue budget to fund future capital expenditure. These sums may be part of the original budget or additional sums earmarked during the year for capital schemes. Where a scheme is proposed but does not ultimately happen or does not require all of the funds identified, contributions are returned to the revenue budget
- The Revenue Grants Unapplied reserve holds grants for which there are no outstanding conditions but where the expenditure has not been incurred at the year end. When expenditure is subsequently incurred, a transfer is made from this reserve to the General Fund reserve to replenish that reserve;
- The Netley Business Plan holds the accumulated surpluses of the net trading activity of the use of the Netley site for functions such as weddings. The surplus is held for subsequent reinvestment in the site;
- The Risk Reserve has been established as a contingency against delays or shortfalls in achieving savings or further and unexpected budget reductions;
- The Estate Risk Reserve was established in 2014/15 to provide a source of funding contingency that may be required within the Estate Strategy;
- The Insurance Reserve is held to meet the costs of any unforeseen increases in settlements made during the year;
- The Equipment reserve acts as a sinking fund to pay for the regular replacement of essential equipment such as body armour and Chemical Biological, Radiological and Nuclear (CBRN) kit. The intention is to provide a facility for contributions to be made, ideally on an annual basis, to smooth out the cost of large scale replacements
- The Grant Equalisation Reserve was established by a contribution from the 2014/15 underspend to mitigate the impact of front-loaded budget cuts to policing services by balancing budgets in the short-term from this reserve while medium-term solutions are implemented;
- The Performance Reserve is held with the purpose of boosting performance at a time when forces nationally have to contend with budget reductions, whilst directly meeting the priorities of the Commissioner and Force;
- The Transformation Reserve is held to meet the necessary costs of changing structures and processes in the force to ensure that performance is maintained in an environment of reduced and reducing budgets.
- The ACRO surety is a sum held to meet any liabilities in the event that the ACRO service is ceased or transferred out of the Commissioner's stewardship at short notice;
- The AVCIS surety is a sum held in the event that the ACPO Vehicle Crime Intelligence Service is ceased or transferred out of the Commissioner's stewardship at short notice;

15 – Other operating income/expenditure

2015/16 £'000		2016/17 £'000
2,806	Levies to National Police Services	2,603
(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
(731)	(Gains)/losses on the disposal of non-current assets	(9,550)
2,075		**(6,947)**

16 – Financing and investment income and expenditure

16.1 Financing and investment income and expenditure – Group

2015/16 £'000		2016/17 £'000
1,458	Interest payable and similar charges	1,398
95,700	Pensions interest cost and expected return on pension assets	92,640
(756)	Interest receivable and similar income	(611)
0	Dividends received	(200)
96,402		**93,227**

16.2 Financing and investment income and expenditure – PCC

2015/16 £'000		2016/17 £'000
1,458	Interest payable and similar charges	1,398
(756)	Interest receivable and similar income	(611)
0	Dividends received	(200)
702		**587**

Note that in 2015/16 dividend income was included in the interest receivable and similar income line

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

Property, Plant and Equipment Movement on balances

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

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

Movement on balances 2016/17

	Land and Buildings £'000	Vehicles and Plant £'000	Furniture and Equipment £'000	Assets under construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or valuation						
At 31 March 2016	**155,180**	**18,195**	**14,583**	**13,473**	**21,471**	**222,902**
Additions in year	1,273	1,518	728	22,813	0	26,332
Donations						0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	11,418	0	0	0	646	12,064
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,290)	0	0	0	(1,335)	(6,625)
Derecognition - Disposals	(1,316)	(1,559)	(1,631)	0	(18,050)	(22,556)
Assets reclassified (to)/from held for sale						
Other movements in cost or valuation	(6,073)	1,352	4,095	(5,447)	6,073	0
At 31 March 2017	**155,192**	**19,506**	**17,775**	**30,839**	**8,805**	**232,117**
Accumulated depreciation and Impairment						
At 31 March 2016	**(9,299)**	**(11,514)**	**(6,749)**	**0**	**(8)**	**(27,570)**
Depreciation Charge	(3,373)	(2,091)	(3,203)	0	(208)	(8,875)
Depreciation written out on revaluation	8,293	0	0	0	628	8,921
Derecognition - Disposals	231	1,296	1,631	0	42	3,200
Other movements in depreciation and impairment	597	0	0	0	(597)	0
At 31 March 2017	**(3,551)**	**(12,309)**	**(8,321)**	**0**	**(143)**	**(24,324)**
Net Book Value						
At 31 March 2017	**151,641**	**7,197**	**9,454**	**30,839**	**8,662**	**207,793**
At 31 March 2016	**145,881**	**6,681**	**7,834**	**13,473**	**21,463**	**195,332**

Movement on balances 2015/16

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

Impairment Review

There is a requirement under the Code each year to review property, plant and equipment assets for evidence of impairment, which may be occasioned by a permanent consumption of economic benefits - e.g. as a result of a fire - or by a general reduction in prices or value. No assets were considered to have been impaired at the end of 2016/17.

Capital commitments

As at 31 March 2017 the Commissioner had committed capital expenditure of £4.41m. The majority of this commitment is in relation to ongoing works for the Estates Change Programme (£1.79m) and ICT expenditure (£1.62m).

Intangible assets

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

18 – Valuation Information

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

The statement below shows the progress of the Commissioner's rolling programme for the revaluation of property, plant and equipment assets. The main operational sites were revalued in 2016/17. In addition, with the move to the new IFRS13 accounting standard, surplus and held for sale properties were revalued to ensure that the carrying value was on a fair value basis.

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

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

	Land and buildings	Vehicles and plant	Furniture and equipment	Assets under construction	Surplus assets	Total property, plant and equipment
Valued:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At historical cost		7,197	9,454	30,839		47,490
At fair value in:						
2014/15	849					849
2015/16						0
2016/17	150,792				8,662	159,454
Total	**151,641**	**7,197**	**9,454**	**30,839**	**8,662**	**207,793**

Measurement Bases

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

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

19 – Assets held for sale

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

	Current	
	2015/16 £'000	2016/17 £'000
Balance outstanding at start of year	**2,099**	**1,540**
Assets newly classified as held for sale:		
- Property, Plant and Equipment	2,666	0
Revaluation gains	0	0
Revaluation losses	(1,125)	0
Assets declassified as held for sale:		
* Property, Plant and Equipment	0	0
* Intangible Assets	0	0
* Other assets/liabilities in disposal groups	0	0
Assets sold	(2,100)	(1,225)
Balance outstanding at year-end	**1,540**	**315**

20 – Capital financing requirement

2015/16 £'000	Capital financing and expenditure	2016/17 £'000
46,389	*Opening Capital Financing Requirement*	51,447
	Capital investment	
3,087	Operational assets	3,519
15,456	Non-operational assets	22,813
3,764	Revenue Expenditure funded from capital under statute	2,252
	Sources of finance	
(6,278)	Capital receipts	(30,208)
(3,954)	Government grants and contributions	(2,766)
(375)	Donated assets	0
(4,978)	Use of reserves (Revenue contributions to capital)	(3,216)
(1,664)	Sums from revenue (Minimum revenue provision - MRP)	(1,442)
51,447	*Closing Capital Financing Requirement*	**42,399**
	Explanation of movements in year	
5,058	Increase/(Decrease) in underlying need to borrow	(9,048)
5,058	*Increase/ (decrease) in Capital Financing*	**(9,048)**

£26.3m of capital expenditure was on property, plant and equipment and vehicles as shown above, with the balance (£2.3m) being expended on premises which the Commissioner does not own but is occupied by his staff and officers under joint-working arrangements, including the joint police and fire strategic headquarters at Eastleigh. The expenditure on non-operational assets in 2016/17 relates to the continuing expenditure on the programme to rationalise operational property across the force area, to provide neighbourhood offices for safer neighbourhood teams for the relocation of the operational headquarters for the Constabulary and to purchase and prepare sites for Police Investigation Centres. Once complete, these non-operational assets will be reclassified and will become operational (i.e. used in the delivery of services).

Under the Prudential Code arrangements, the Commissioner is permitted to borrow money to finance capital expenditure as long as the borrowing is prudent, affordable and sustainable. No new borrowing was taken out in 2016/17 (Nil in 2015/16).

21 – Leases

21.1 Commissioner as Lessee

Finance Leases

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

The Commissioner paid a premium when he took the building on a 999-year lease in March 2001 and is paying a peppercorn rent for the remainder of the lease term. The minimum lease payment is not recognised as a long-term liability in the Commissioner's accounts due to its immateriality. The annual lease payment is recognised as a revenue expense. The net book value of the property at 31 March 2017 was £4.478m (£3.180m at 31 March 2016).

Operating Leases

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

31 March 2016 £'000		31 March 2017 £'000
854	Not later than one year	1,061
986	Later than one year and not later than five years	1,526
612	Later than five years	1,432
2,452	**Total**	**4,019**

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

31 March 2016 £'000		31 March 2017 £'000
1,054	Minimum lease payments	1,184
1,054	**Total**	**1,184**

21.2 Commissioner as Lessor

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

22 – Insurance Provisions

The Police Commissioner does not have an insurance provision but does hold a reserve of £1.47m (£894,000 at 31 March 2016). The Commissioner self insures lower amounts but externally insures against larger risks such as loss/damage to assets and other potential liabilities.

23 – Financial Instruments

23.1 Introduction

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

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

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

- money market funds
- pooled equity and property funds
- certificates of deposit and covered bonds issued by banks and building societies;
- bonds issued by UK companies.

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

Financial Assets	Long - term		Short-term	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Investments				
Loans and receivables				
- principal at amortised cost	7,000	2,000	13,600	25,000
- accrued interest			69	78
Available for sale investments				
- principal at amortised cost	12,112	22,424	20,072	9,060
- accrued interest			12	4
Total investments	**19,112**	**24,424**	**33,753**	**34,142**
Debtors				
Financial assets carried at contract amount	543	455	4,549	4,235
Total debtors	**543**	**455**	**4,549**	**4,235**

Financial Liabilities	Long - term		Current	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Borrowings at amortised cost				
- PWLB principal sum borrowed	(33,021)	(31,807)	(1,215)	(1,214)
- accrued interest			(192)	(188)
Total Borrowing	**(33,021)**	**(31,807)**	**(1,407)**	**(1,402)**
Creditors				
Financial liabilities carried at contract amount	0	0	(8,275)	(8,910)
Total creditors	**0**	**0**	**(8,275)**	**(8,910)**

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

23.2 Income, Expense, Gains and Losses

	2016/17					2015/16
	Financial Liabilities		Financial Assets			
	Amortised cost	Fair Value through Profit & Loss	Loans and receiv - ables	Available for sale assets	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(1,376)				**(1,376)**	**(1,428)**
Interest payable and similar charges	**(1,376)**	**0**	**0**	**0**	**(1,376)**	**(1,428)**
Interest income			261	319	**580**	**652**
Dividend income				200	**200**	104
Interest and investment income	**0**	**0**	**261**	**519**	**780**	**756**
Gains on revaluation				235	**235**	**66**
Losses on revaluation				(48)	**(48)**	**(97)**
Impact of revaluation in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**187**	**187**	**(31)**
Net gain / (loss) for the year	**(1,376)**	**0**	**261**	**706**	**(409)**	**(703)**

23.3 Fair values of Assets and Liabilities

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2017, using the following methods and assumptions:

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

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2017, using the following methods and assumptions:

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

Liabilities

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

Assets

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

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

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

The fair value of the remaining housing assistance loans is £0.45m (£0.53m at 31 March 2016). This is now the same as the carrying value.

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

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

	Fair Value level	Amortised cost 31/03/2016 £'000	Amortised cost 31/03/2017 £'000	Fair Value 31/03/2016 £'000	Fair Value 31/03/2017 £'000
Financial Liabilities					
Long term loans from PWLB	2	(34,236)	(33,021)	(40,686)	(42,858)
Accrued interest		(192)	(188)	(192)	(188)
Total loans borrowed		(34,428)	(33,209)	(40,878)	(43,046)
Liabilities for which fair value is not disclosed *		(8,275)	(8,910)	(8,275)	(8,910)
Total financial liabilities		**(42,703)**	**(42,119)**	**(49,153)**	**(51,956)**
Recorded on the balance sheet as:					
Short term creditors		(8,275)	(8,910)		
Short term borrowing		(1,407)	(1,402)		
Long term creditors		0	0		
Long term borrowing		(33,021)	(31,807)		
Total financial liabilities		**(42,703)**	**(42,119)**		
Financial Assets					
Available for sale assets held at fair value:					
Money market funds	1	14,828	12,343	14,828	12,343
Bond, equity & property funds	1	2,993	5,135	2,993	5,135
Certificates of deposit	2	12,012	4,004	12,012	4,004
Corporate & government bonds	2	17,191	22,349	17,191	22,349
Assets held at amortised cost:					
Long term loans to other authorities		7,036	2,020	7,103	2,029
Total		**54,060**	**45,851**	**54,127**	**45,860**
Assets for which fair value is not disclosed *		23,554	31,880		
Total financial assets		**77,614**	**77,731**		
Recorded on balance sheet as:					
Long term investments		19,112	24,424		
Long term debtors		543	455		
Short term investments		33,753	34,142		
Cash and cash equivalents		19,657	14,475		
Short term debtors		4,549	4,235		
Total financial assets		**77,614**	**77,731**		

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

23.4 Trade Receivables (Debtors)

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

31 March 2016 £'000		31 March 2017 £'000
4,549	Receivable financial instruments	4,235

No trade debtors were impaired during the year (£Nil in 2015/16) for debt (or proportions thereof) deemed uncollectable.

23.5 Loans and receivables – long-term

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

23.6 Trade Payables (Creditors)

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

31 March 2016 £'000		31 March 2017 £'000
(8,275)	Payable financial instruments	(8,910)

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

The Commissioner's borrowing strategy for 2016/17 was set in March 2016. The PCC's chief objective when borrowing money was to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the OPCC's long-term plans change was deemed a secondary objective.

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

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

No new long-term borrowing was taken out in 2016/17 due to a combination no requirement to resource the capital programme, the cost of carry and the level of internal balances and reserves which are available for temporary financing.

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

Analysis of loans by maturity	Average interest rate (Current)	Outstanding loans 31 March 2016 £'000	31 March 2017 £'000
Less than 1 year	2.38%	(1,214)	(1,214)
Between 1 and 2 years	2.46%	(1,214)	(857)
Between 2 and 5 years	2.65%	(1,857)	(1,250)
Between 5 and 10 years	5.44%	(950)	(700)
Between 10 and 15 years	4.12%	0	(4,000)
Between 15 and 20 years	4.30%	(21,000)	(21,000)
Between 20 and 25 years	4.24%	(8,000)	(4,000)
	4.12%	**(34,235)**	**(33,021)**

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

Most of the Commissioner's loan portfolio of £33.02m was taken out between 2008/09 and 2011/12 (£34.24m originally advanced). The PWLB loans had a fair value – based on the repayment rate - of £45.9m at 31 March 2017 (£45.0m at 31 March 2016). The fair value based on the new accounting standard (IFRS 13) was £43.05m at 31 March 2017 (£40.9m at 31 March 2016).

23.8 Financial guarantee contracts

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

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

23.9 Risks

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the guidance provided by the CLG for local authorities. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Commissioner's Treasury Strategy, together with his Treasury Management Practices seeks to achieve a suitable balance between risk and return or cost.

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

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

Credit Risk

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

A limit of £12m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £6m per single counterparty applies. The OPCC also sets limits on investments in certain sectors. No more than £33m in total can be invested for a period longer than one year.

The OPCC's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of that asset may not be recoverable applies to all of the OPCC's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

The credit quality of £21.0m of the OPCC's investments is enhanced by collateral held in the form of covered bonds collateralised by UK residential mortgages. The collateral significantly reduces the likelihood of the OPCC suffering a credit loss on these investments.

The table below summarises the credit risk exposures of the Commissioner's investment portfolio at 31 March 2017 by type of investment counterparty:

	Long-term		Short-term	
Credit Rating	**31 March 2016**	**31 March 2017**	**31 March 2016**	**31 March 2017**
	£'000	**£'000**	**£'000**	**£'000**
AAA	9,119	17,289	7,067	4,001
AA+	0	0	1,006	0
AA	0	0	0	0
AA-	0	0	7,796	2,130
A+	0	0	3,003	0
A	0	0	8,015	12,515
A-	0	0	2,037	1,060
AAA Money market funds	0	0	14,828	12,343
Unrated local authorities	7,036	2,020	9,623	16,548
Unrated pooled funds	2,993	5,135	0	0
Total Investments	**19,148**	**24,444**	**53,374**	**48,597**

Liquidity Risk

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

The maturity analysis of the principal sums borrowed as at 31 March 2017 is as follows:

Outstanding debt - maturity periods	31 March 2016	% of total debt portfolio	31 March 2017	% of total debt portfolio
	£'000	%	£'000	%
Less than 1 year	(1,214)	4	(1,214)	4
Between 1 and 2 years	(1,214)	4	(857)	2
Between 2 and 5 years	(1,857)	5	(1,250)	4
Between 5 and 10 years	(950)	3	(700)	2
Between 10 and 15 years	0	0	(4,000)	12
Between 15 and 20 years	(21,000)	61	(21,000)	64
Between 20 and 25 years	(8,000)	23	(4,000)	12
Total	**(34,235)**	**100**	**(33,021)**	**100**

31 March 2016 £'000	Loans and other long term liabilities outstanding (nominal value):	31 March 2017 £'000
(34,236)	Public Works Loan Board	(33,021)
(191)	Temporary borrowing	(188)
(34,427)	**Total**	**(33,209)**

Note that the accrued interest of £0.188m is classified as a short-term liability on the Balance Sheet.

Market Risks

Interest Rate Risk. The Commissioner is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2017, all of the £33.02m of principal borrowed was at fixed rates. The OPCC’s investments with less than one year to maturity (£48.47m at 31 March 2017), floating rate notes with more than one year to maturity (£14.50m at 31 March 2017), and pooled property funds (£5.00m at 31 March 2017) are classed as being held at variable rates and exposed to interest rate risk.

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

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

	£'000
Increase in interest payable on variable rate borrowing	0
Increase in interest receivable on variable rate investments	(630)
Impact on (Surplus) or Deficit on the Provision of Services	(630)
Decrease in fair value of available for sale financial assets	21
Impact on Comprehensive Income and Expenditure	21

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

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

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

Foreign Exchange Risk. The Commissioner has one significant financial asset denominated in a foreign currency (i.e. Euro), which it holds in a designated Euro currency bank account. Whilst the account balance is included in the Balance Sheet under cash and cash equivalents at the spot exchange rate pertaining on 31 March 2017, this is for accounting and reporting purposes only. The Euro account is held so that the Commissioner can account for the use of the EU grant it relates to and the donor bears the risk of any losses or benefits from any gains arising from movements in exchange rates. The Commissioner therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

24 – Inventories

2015/16	31 March 2015 £'000	Purchases £'000	Expense in the year £'000	Written off balances £'000	31 March 2016 £'000
IT	615	266	(726)	0	155
Transport	60	811	(806)	0	65
Fuel	102	952	(940)	0	114
Reprographics	69	82	(77)	(5)	69
Uniform	634	381	(403)	0	612
Bar	4	27	(29)	0	2
Printer consumables	24	294	(301)	0	17
	1,508	**2,813**	**(3,282)**	**(5)**	**1,034**

2016/17	31 March 2016 £'000	Purchases £'000	Expense in the year £'000	Written off balances £'000	31 March 2017 £'000
IT	155	23	(155)	0	23
Transport	65	801	(774)	0	92
Fuel	114	663	(671)	0	106
Reprographics	69	85	(76)	(2)	76
Uniform	612	650	(659)	(39)	564
Bar	2	23	(22)		3
Printer consumables	17	260	(260)		17
	1,034	**2,505**	**(2,617)**	**(41)**	**881**

25 – Short-term debtors

31 March 2016 £'000		31 March 2017 £'000
	Financial instrument debtors	
4,549	Sundry debtors	4,235
4,549	**Total Financial Instrument debtors**	**4,235**
	Non-financial instrument debtors	
23,899	Government departments	17,798
8,888	Other local authorities	9,557
3	NHS bodies	30
0	Public corporations	17
2,118	Payments in advance	9,152
39,457	**Total debtors and prepayments**	**40,789**

26 – Cash and cash equivalents

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

31 March 2016 £'000		31 March 2017 £'000
26	Cash held by the Authority	10
927	Bank current accounts	700
(5,568)	Bank overdrawn	(1,550)
19,657	Call accounts (same day access funds)	14,475
15,042	**Total Cash and Cash Equivalents**	**13,635**

27 – Short-term creditors

27.1 – Short-term creditors – Group

31 March 2016 £'000		31 March 2017 £'000
	Financial instrument creditors	
(2,210)	Deposits	(1,967)
(6,064)	Sundry creditors	(6,943)
(8,274)	**Total Financial Instrument creditors**	**(8,910)**
	Non-financial instrument creditors	
(13,833)	HM Revenue and Customs and Government departments	(13,415)
(11,315)	Other local authorities	(10,821)
(6)	NHS Bodies	0
(5,585)	Sundry creditors	(5,187)
(39,013)	**Total short term creditors**	**(38,333)**

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

27.2 – Short-term creditors – PCC

31 March 2016 £'000		31 March 2017 £'000
	Financial instrument creditors	
(2,210)	Deposits	(1,967)
(6,064)	Sundry creditors	(6,943)
(8,274)	**Total Financial Instrument creditors**	**(8,910)**
	Non-financial instrument creditors	
(13,833)	HM Revenue and Customs and Government departments	(13,415)
(11,315)	Other local authorities	(10,821)
(6)	NHS Bodies	0
(1,515)	Sundry creditors	(1,023)
(34,943)	**Total short term creditors**	**(34,169)**

27.3 – Short-term creditors – CC

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)**

28 – Provisions – Current Liabilities

	Redundancy and pension strain £'000	Other Provisions £'000	Total £'000
Balance at 31 March 2016	**(45)**	**0**	**(45)**
Additional provisions made in 2016/17	0	0	0
Amounts used in 2016/17	31	0	31
Unused amounts reversed in 2016/17	14	0	14
Balance at 31 March 2017	**0**	**0**	**0**

There are no provisions outstanding at 31 March 2017.

Whilst not classified as a provision, the Commissioner has recognised that some debts will be impaired on the basis of past experience. The sum recognised is £540,000 (£150,000 as at 31 March 2016). No bad debts and impairments were written off or otherwise accounted for as charges against the provision during the year (£Nil in 2015/16).

29 – Unusable Reserves

29.1 Unusable Reserves – Group

31 March 2016 £'000		31 March 2017 £'000	Note
(100,247)	Capital Adjustment Account	(109,511)	29.4
(45,714)	Revaluation Reserve	(56,657)	29.5
(2,204)	Collection Fund Adjustment Account	(2,034)	29.6
11	Available for Sale Financial Instruments Reserve	(176)	
4,070	Accumulated Absences Account	4,164	29.7
2,771,687	Pensions Reserve	3,432,107	29.8
2,627,603		**3,267,893**	

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

29.2 Unusable Reserves – PCC

31 March 2016 £'000		31 March 2017 £'000	Note
(100,246)	Capital Adjustment Account	(109,511)	29.4
(45,715)	Revaluation Reserve	(56,657)	29.5
(2,204)	Collection Fund Adjustment Account	(2,034)	29.6
11	Available for Sale Financial Instruments Reserve	(176)	
(148,154)		**(168,378)**	

29.3 Unusable Reserves –CC

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**	

29.4 Reserves – Capital Adjustment Account

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

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

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

2015/16 £'000		2016/17 £'000	2016/17 £'000
(103,644)	**Balance at 1 April**		**(100,247)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
7,546	• Charges for depreciation and impairment of non-current assets	8,875	
5,541	• Revaluation losses on Property, Plant and Equipment	6,680	
3,792	• Revenue expenditure funded from capital under statute	2,252	
5,343	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	20,582	
22,222	**Sub-Total**		**38,389**
(1,678)	Adjusting amounts written out of the Revaluation Reserve		(10,097)
20,544	Net written out amount of the cost of non-current assets consumed in the year		**28,292**
	Capital financing applied in the year:		
(6,278)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(30,208)	
(4,978)	• Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure	(3,216)	
(4,329)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,766)	
(1,664)	• Statutory provision for the financing of capital investment charged against the General Fund balance	(1,442)	
0	• Voluntary provision for the financing of capital investment charged against the General Fund balance	0	
(17,249)	**Sub-Total**		**(37,632)**
102	Write-down of capital debtors		**76**
(100,247)	**Balance at 31 March**		**(109,511)**

29.5 Reserves – Revaluation

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

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

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

2015/16 £'000		2016/17 £'000
(5,884)	**Balance at start of year**	**(45,714)**
(41,508)	Revaluations during year	(21,039)
978	Disposal of revalued assets	8,849
700	Depreciation of revaluations	1,247
(45,714)	**Balance at end of year**	**(56,657)**

29.6 Reserves – Collection Fund Adjustment Account

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

2015/16 £'000		2016/17 £'000
(2,788)	**Balance at start of year**	**(2,204)**
(103,568)	Accrued income in the Comprehensive Income and Expenditure account	(107,137)
104,152	Amount calculated in accordance with statutory requirements	107,307
(2,204)	**Balance at end of year**	**(2,034)**

29.7 Reserves – Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

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 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).

29.8 Reserves – Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable accounts for post-employee benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investments returns on any resources set aside to meet the costs. However, statutory arrangements require benefits to be financed as the Chief Constable makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Chief Constable has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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**

30 – External audit costs

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

2015/16 £'000		2016/17 £'000
	Police and Crime Commissioner:	
48.2	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	41.2
0.0	Other services provided by EY	0.0
	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
70.3		**60.0**

Fees paid by the PCC and the Chief Constable in 2016/17 were in line with the scale fee.

31 – 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, not all 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).

32 – Contingent assets

Further to the implementation of the Estates Change Programme, a number of sites have been earmarked for disposal. Where such assets have been conditionally sold – i.e. subject to contract - deposits have been received. As these sales have yet to be completed, the income from deposits is not recognised as an asset as there is no contractual right to retain these sums until either the sale is completed or the prospective purchaser defaults on the contractual obligations. A contingent asset is recognised for these prospective sales and any deposits are recognised as receipts in advance.

33 – Events after the reporting period

The draft 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.

34 – Other disclosures

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

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

35 – Notes to the cash flow statement 2016/17 - Group

35.1 Operating Activities – Interest

The cash flows for operating activities include the following items:

2015/16 £'000		2016/17 £'000
(756)	Interest received	(639)
1,458	Interest paid	1,402
0	Dividends received	(171)
702		**592**

* In 2015-16 interest receipts and payments were categorised as financing cash flows. The comparators have been included for reference above, but the prior year operating and investing cash flow figures have not been restated for this change.

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

2015/16 £'000		2016/17 £'000
(124,989)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(124,710)
	Analysis:-	
(115,588)	- Pensions	(90,780)
(13,087)	- Depreciation and impairment charged to CIES	(8,875)
0	- Revaluation adjustments	(6,680)
(2,360)	- Increase/(Decrease) in Debtors	1,366
11,716	- (Increase)/Decrease in Creditors	949
(474)	- Increase/(Decrease) in Inventories	(153)
114	- (Increase)/Decrease in Provisions	45
(5,343)	- Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(20,582)
33	- Other non-cash items charged to the net surplus or deficit on the provision of services	0
(124,989)		**(124,710)**

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

2015/16 £'000		2016/17 £'000
9,803	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32,898
	Analysis:-	
6,176	- Proceeds from the sale of PP&E, investment property and intangible assets	30,132
4,329	- Capital grant (included within investing activities)	2,766
(702)	- Any other items for which the cash effects are investing or financing cash flows	0
9,803		**32,898**

35.4 Investing activities

2015/16 £'000		2016/17 £'000
	Cash outflows	
18,543	Purchase of property, plant and equipment, investment property and intangible assets	26,094
86,660	Purchase of short-term and long-term investments	77,696
0	Other payments for investing activities	0
	Cash inflows	
(6,176)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(30,132)
(96,797)	Proceeds from short-term and long-term investments	(72,215)
(4,467)	Other receipts from investing activities	(2,854)
(2,237)	**Net cash outflow/(inflow) from investing activities:**	**(1,411)**

Note that the purchase of investments and proceeds from the same are those relating to financial instruments only. These net off to agree with the movement of these two items on the balance sheet.

35.5 Financing activities

2015/16 £'000		2016/17 £'000
	Cash outflows	
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
1,427	Repayment of short- and long-term borrowing	1,426
1,458	Other payments for financing activities - interest paid	0
	Cash inflows	
0	Cash receipts of short- and long-term borrowing	0
(756)	Other receipts from financing activities - interest received	0
2,129	**Net cash outflow/(inflow) from financing activities:**	**1,426**

35.6 Cash and cash equivalents

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

2015/16 £'000		2016/17 £'000
26	Cash held	10
927	Bank current accounts	700
(5,568)	Bank overdraft	(1,550)
19,657	Surplus cash deposited with approved counterparties (on immediate call)	14,475
15,042	**Total Cash and Cash Equivalents**	**13,635**

36 – Notes to the cash flow statement 2016/17 - PCC

36.1 Operating Activities – Interest

The cash flows for operating activities include the following items:

2015/16 £'000		2016/17 £'000
(756)	Interest received	(639)
1,458	Interest paid	1,402
0	Dividends received	(171)
702		**592**

*In 2015-16 interest receipts and payments were categorised as financing cash flows. The comparators have been included for reference above, but the prior year operating and investing cash flow figures have not been restated for this change.

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

2015/16 £'000		2016/17 £'000
(9,124)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(33,836)
	Analysis:-	
0	- Pensions	0
(13,087)	- Depreciation and impairment charged to CIES	(8,875)
0	- Revaluation adjustments	(6,680)
(2,360)	- Increase/(Decrease) in Debtors	1,366
11,993	- (Increase)/Decrease in Creditors	1,043
(474)	- Increase/(Decrease) in Inventories	(153)
114	- (Increase)/Decrease in Provisions	45
(5,343)	- Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(20,582)
33	- Other non-cash items charged to the net surplus or deficit on the provision of services	0
(9,124)		**(33,836)**

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

2015/16 £'000		2016/17 £'000
9,803	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32,898
	Analysis:-	
6,176	- Proceeds from the sale of PP&E, investment property and intangible assets	30,132
4,329	- Capital grant (included within investing activities)	2,766
(702)	- Any other items for which the cash effects are investing or financing cash flows	0
9,803		**32,898**

36.4 Investing activities - PCC

2015/16 £'000		2016/17 £'000
	Cash outflows	
18,543	Purchase of property, plant and equipment, investment property and intangible assets	26,094
86,660	Purchase of short-term and long-term investments	77,696
0	Other payments for investing activities	0
	Cash inflows	
(6,176)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(30,132)
(96,797)	Proceeds from short-term and long-term investments	(72,215)
(4,467)	Other receipts from investing activities	(2,854)
(2,237)	**Net cash outflow/(inflow) from investing activities:**	**(1,411)**

36.5 Financing activities – PCC

2015/16 £'000		2016/17 £'000
	Cash outflows	
1,427	Repayment of short- and long-term borrowing	1,426
1,458	Other payments for financing activities - interest paid	0
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
	Cash inflows	
0	Cash receipts of short- and long-term borrowing	0
(756)	Other receipts from financing activities - interest received	0
2,129	**Net cash outflow/(inflow) from financing activities:**	**1,426**

36.6 Cash and cash equivalents - PCC

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

2015/16 £'000		2016/17 £'000
26	Cash held	10
927	Bank current accounts	700
(5,568)	Bank overdraft	(1,550)
19,657	Surplus cash deposited with approved counterparties (on immediate call)	14,475
15,042	**Total Cash and Cash Equivalents**	**13,635**

37 – Notes to the cash flow statement 2016/17 - CC

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

2015/16 £'000		2016/17 £'000	Note
115,865	Net (surplus) or deficit on the provision of services	90,874	*CIES*
(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**	

37.2 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)
(115,865)		**(90,874)**

2015/16 £'000	Police Pension Fund Account	2016/17 £'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 £'000	Net Assets Statement	2016/17 £'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.

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.

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

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

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

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

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

Debtors
Individuals or organisations who owe the Commissioner money.

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

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

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

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

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

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

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

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

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

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

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