



Chief Constable for Hampshire

Statement of Accounts

2018/19

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Introduction

The Statement of Accounts sets out the overall financial position of the Chief Constable of Hampshire Constabulary for the year ending 31 March 2019. 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 2018/19*. This narrative provides a brief explanation and overview of the financial performance and activities during 2018/19.

The Chief Constable

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

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

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

The Chief Constable has established a joint audit committee with the Commissioner. Its purpose is to provide independent advice 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:

- Review the corporate governance arrangements against the good governance framework and consider annual governance reports and assurances
- Review the Annual Governance Statements (AGS) prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement
- Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements
- Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC and the HC

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- Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the PCC and the CC in addressing risk-related issues reported to them
- Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions
- Review anti-fraud arrangements (including whistleblowing procedures) and the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy actions and resources
- Further consideration and advice in relation to Internal Audit, External Audit, Financial Reporting, Partnership Governance and Accountability Arrangements

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

The Chief Constable has set a purpose and six key areas of focus for the Constabulary.



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

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

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Commissioner, with his ultimate control over the Chief Constable's resources, has to prepare group accounts.

The Home Office has produced a Financial Management Code of Practice (FMCP) which sets out the responsibilities of the respective Chief Finance Officers. This was updated by the Home Office in 2018.

The Police Reform and Social Responsibility Act 2011 outlined a two-staged approach to the establishment of the office of the Police and Crime Commissioner and the relationship between Commissioners and Chief Constables. The FMCP outlines how the two bodies should work together in managing the finances and covers such things as the Scheme of Corporate Governance which includes the Scheme of Consent, Financial Regulations and Contract Standing Orders and delegation which identify what powers and responsibilities.

The Chief Constable's Statement of Accounts for 2018/19 consists of the following:

- Statement of Responsibilities for the Statement of Accounts
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Comprehensive Income and Expenditure Statement
- Expenditure and Funding Analysis
- Notes to the Accounts
- Annual Governance Statement
- Independent Auditors Report

Relationship between Accounting Statements

The different accounting statements are linked in several important ways.

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Commissioner, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

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

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

Changes to the Accounts

The 2018/19 Code of Practice on Local Authority Accounting introduced some changes as a result of two new International Financial Reporting Standards (IFRS). IFRS 9 relates to how financial instruments are accounted for. These are not relevant for the Constabulary.

IFRS 15 sets out how revenue should be recognised from contracts with customers. This has not had any material impact upon us, as our policy already was to record income in the correct period as the service is provided.

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 a reader has:

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

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

b) Relevance

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

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

c) Reliability

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

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

d) Comparability

Comparability (i.e. the ability to compare the Group's performance between financial years and with other organisations), is an important mechanism for ensuring the usefulness of financial information (and is an essential element of the best value accounting framework). The application of the terms, accounting policies and requirements of the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in England (2018) Statement of Recommended Practice and the Service Reporting Code of Practice is the way in which the Chief Constable has ensured consistency of financial information in the financial statements leading to comparability.

Review of the year

Financial Overview (including economic climate)

In February 2018, the Commissioner approved funding for a net revenue budget for 2018/19 for the Group of £315m, an increase of £9m on the previous year. This increase was funded through an increase in the Band D precept of £12 (raising £9.7m) offset by a reduction in the collection fund surplus of £0.7m. There was no increase in central government grant funding in 2018/19.

Pensions

The Chief Constable's net pension liability is included in the balance sheet in accordance with accounting standards including an estimate of the impact of the McCloud judgement that concluded the transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. The Government's application to appeal the decision was denied by the Supreme Court on 27 June 2019. Consequently, the Government has stated its intention to engage fully with the Employment Tribunal to agree how the discrimination will be remedied for all the main public service pension schemes. The actual remedy may differ between schemes and it is uncertain to predict. However, the Government Actuary's Department (GAD) have calculated a worst-case scenario impact at Police 2015 and LGPS Scheme level. The Chief Constable's actuary has used the same assumptions to calculate the impact for these accounts.

The net pension liability has increased by £218m from £3,576m at 31 March 2018 to £3.794m at 31 March 2019. The assessed share of the value of the plan assets of the Local Government Pension scheme showed an increase of £40m while the assessed present value of the liabilities on all pension schemes increased by £258m.

The large negative IAS19 pension reserve is mainly due to the police pension scheme being an unfunded scheme i.e. with no fund assets to offset future liabilities when existing police officers have all retired. The difference between pension fund outgoings and incomings is met by top-up grant from the Home Office. Therefore, the statutory arrangements for funding the liability mean that the Constabulary's financial position remains sound.

Reserves

The requirement for reserves is covered in sections 32 and 43 of the Local Government Finance Act 1992, which require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when

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calculating the budget requirement. Earmarked reserves remain legally part of the general fund but are accounted for separately.

All reserves are held by the Commissioner with two exceptions; the accumulated absences account and the pensions reserve. Both of these reserves are unusable (i.e. not cash-backed). The balance on the accumulated absences account at 31 March 2019 was £4.197m (£4.108m at 31 March 2018) and the balance on the pensions reserve was £3,729m (£3,576.4m at 31 March 2018).

Material Assets Acquired or Liabilities Incurred

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

Unusual Charges or Credits within the accounts

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

Significant Provisions or Contingencies

As a result of the adoption of International Financial Reporting Standards (IFRS), the Constabulary is required to accrue for any annual leave, flexitime and time off in lieu which had been earned but not taken at 31 March each year. The amount accrued at 31 March 2019 was £4.197m (£4.108m as at 31 March 2018).

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 led to continued short term increased political and economic uncertainty.

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 and Chief Constable will continue to review the impact in the coming months.

As detailed previously, on 27 June 2019 the Supreme Court denied the Government's request to appeal the McCloud/Sargeant judgment that the transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. The Government has stated its intention to engage fully with the Employment Tribunal to agree how the discrimination will be remedied for all the main public service pension schemes. The assumptions of the Government Actuary Department (GAD), have been used to update the past service cost in the Comprehensive Income and Expenditure Statement and the net pension liability on the balance sheet. This is offset by the same adjustment in the Pension Reserve.

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 Unit and Counter Terrorism Policing South East. 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 Chief Constable and Commissioner have 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 contact management solution due to be rolled out across Thames Valley and Hampshire in 2018/19.

The Policing and Crime Act 2017 placed a statutory obligation on emergency services to collaborate and enables Police and Crime Commissioners (PCCs) to take on the responsibility for fire and rescue services in their area, where there is a strong local case to do so.

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.

In line with the provisions within the Police and Crime Act 2011, the PCC undertook an options appraisal during 2017/18 to review the governance arrangements for Fire. The outcome was that the PCC has determined not to submit a business case to change the current governance arrangements at the present time.

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. Collaborative agreements in respect of ACRO are in place with all 43 forces in England and Wales as at 31 March 2019.

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 2019 Her Majesty's Inspector of Constabularies and Fire and Rescue Services (HMICFRS) undertook their fifth Police Efficiency Effectiveness and Legitimacy (PEEL) assessment of the extent to which Hampshire Constabulary keeps people safe and reduces crime. The full report is awaiting publication so at this point the 2017 report remains the current assessment. The outcome was that the HMICFRS graded the Constabulary 'good' in effectiveness, efficiency and legitimacy. The following observations were made by Her Majesty's Inspectorate:

- "I am very pleased with the performance of Hampshire Constabulary in keeping people safe and reducing crime, particularly for the action it has taken to address the areas for improvement identified in previous inspections";
- "The force investigates serious crime well, and is good at protecting the public from dangerous offenders. Its efforts to improve the response to victims of domestic abuse are of particular note. However, investigations into some less serious crimes are not always satisfactory and there is a need for more consistent supervision and more victim updates";
- "It has a good understanding of demand for its services, and processes to predict future demand. It has realistic financial plans that include investing in infrastructure, such as IT and estate, which will help it to achieve savings in the long term and will improve its service to the public"
- "The chief constable has created an environment of fairness and respect, benefiting both the people who the force serves, and its own officers and staff. Overall, I commend Hampshire Constabulary for the improvements it has made to its performance this year"

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 and Chief Constable throughout the year exclude such charges and accounting adjustments and are used to monitor the budget, as well as informing the setting of 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 £4,060m at 31 March 2019 which has resulted in an overall negative balance of £3,729m. However, finance is only required for the police pensions when the amounts are actually paid.

Revenue Expenditure

In 2018/19, the reported outturn position, subject to audit, was net expenditure of £313.1m 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 from reserves of £2.032m. 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 £8.375m at 31 March 2019.

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Outturn 2018/19	Budget £'000	Actuals £'000	Variance £'000
Funding	315,255	(315,380)	(125)
Expenditure owned by the PCC			
Office of the PCC	2,520	2,420	(100)
Commissioning	2,168	2,148	(20)
Estates	14,682	14,010	(672)
Capital Financing	2,505	2,530	25
Interest on balances	(500)	(653)	(153)
Contributions to/(from) reserves	(2,032)	(2,032)	0
Net expenditure owned by the PCC	19,343	18,423	(920)
Police Service			
Employee related	248,904	247,347	(1,557)
Transport	6,392	6,038	(354)
Supplies and services	81,605	83,822	2,217
Premises	893	936	43
Income	(41,881)	(43,468)	(1,586)
Net Police Service	295,913	294,675	(1,237)
Net total expenditure	315,255	313,098	(2,157)
Net total funding/expenditure	0	(2,282)	(2,282)

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 items to match CIES presentation £'000	Net cost of services in the CIES £'000
Expenditure owned by the PCC				
Office of the PCC	2,420	-	-	2,420
Commissioning	2,148	-	-	2,148
Estates	14,010	18,117	-	32,127
Capital Financing	2,530	-	(2,530)	-
Interest on balances	(653)	-	653	-
Contributions to/from reserves	(2,032)	-	2,032	-
Net expenditure owned by the PCC	18,423	18,117	155	36,695
Police Service				
Employee related	247,347	25,819	-	273,166
Transport	6,038	-	-	6,038
Supplies and Services	83,822	-	(2,550)	81,272
Premises	936	-	-	936
Income	(43,468)	-	19	(43,449)
Net Police Service	294,675	25,819	(2,531)	317,963
Other items not allocated to services	-	96,690	2,660	99,350
Net cost of Policing Services	313,098	140,626	284	454,009
Other (income)/expenditure	-	73,272	(305,009)	(231,737)
(Surplus)/deficit on the provision of services	313,098	213,898	(304,725)	222,272

This table shows that there was a deficit of £222.3k on the provision of services for 2018/19 in the statutory financial statements for the group as a whole (£128m deficit in 2017/18). 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 Chief Constable 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 2018/19 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.

Future Prospects

Budget 2019/20, Capital Programme and Medium Term Financial Strategy

The budget for 2019/20, 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 2019/20 includes a precept rise of £24 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 the views of the Police and Crime Panel. A fully balanced budget of £337m was set for 2019/20. However, the Medium Term Financial Strategy shows that further savings of £10m will need to be delivered by 2022/23.

The capital programme includes £36.8m of planned expenditure in 2019/20. Of this amount £25.7m relates to new estate, £8.8m relates to technology and £2.4m relates to replacement vehicles. This is funded by £17.9m of in-year capital receipts, £1.2m from capital grant, £5.7m from revenue contributions, and £4.4m 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 £85.4m for 2018/19 and is £93.1m for 2019/20. Debt (£31m) did not exceed the Capital Financing Requirement of £58.2m at 31 March 2019.

Environment

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

Further Information

Further information on these accounts is available from the Chief Finance Officer, Hampshire Constabulary, c/o Hampshire County Council, The Castle, Winchester, SO23 8UB, Telephone: (01962) 847533, e-mail: budget@hants.gov.uk

The Chief Constable's Responsibilities

The Chief Constable is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

Certification of Accounts

The Chief Finance Officer's Statement

I certify that the Statement of Accounts for 2018/19 give a true and fair view of the financial position of the Chief Constable at 31 March 2019 and the income and expenditure for the year then ended

Signed: Olivia Pinkney

Date: 23 July 2019

Approval of the Accounts by the Chief Constable

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by me on 23 July 2019.

Signed: Richard Croucher CPFA

Date: 23rd July 2019

Movement in Reserves Statement

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

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2017	-	-	-	-	3,436,271	3,436,271	
Movements during 2017/18							
Total Comprehensive Income and Expenditure	113,074	-	-	113,074	31,190	144,264	
Adjustments between accounting basis & funding basis under regulations	(113,074)	-	-	(113,074)	113,074	-	2
(Increase)/Decrease in year	-	-	-	-	144,264	144,264	
Balance at 31 March 2018	-	-	-	-	3,580,535	3,580,535	
Movements during 2018/19							
Total Comprehensive Income and Expenditure	214,189	-	-	214,189	3,303	217,492	
Adjustments between accounting basis & funding basis under regulations	(214,189)	-	-	(214,189)	214,189	-	2
(Increase)/Decrease in year	-	-	-	-	217,492	217,492	
Balance at 31 March 2019	-	-	-	-	3,798,027	3,798,027	

Balance Sheet

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

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

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

31 March 2018		31 March 2019	<i>Note</i>
£'000		£'000	
(4,108)	Short term creditors	(4,197)	
(4,108)	Current Liabilities	(4,197)	
(3,576,427)	Net liability related to pension schemes	(3,793,830)	13
(3,576,427)	Long Term Liabilities	(3,793,830)	
(3,580,535)	Net Assets/(Liabilities)	(3,798,027)	
	Financed by:		
-	Usable reserves	-	
3,580,535	Unusable reserves	3,798,027	3
3,580,535	Total Reserves	3,798,027	

Signed: *Richard Croucher CPFA*

(Chief Finance Officer)

Date: 23 July 2019

Cash Flow Statement

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

2017/18	2018/19	
£'000	£'000	<i>Note</i>
113,074	214,189	<i>CIES</i>
(113,074)	(214,189)	16
-	-	
- Net cash flows from Operating Activities	-	
- Investing Activities	-	
- Financing Activities	-	
- Net (increase) or decrease in cash and cash equivalents	-	
- Cash and cash equivalents at the beginning of the reporting period	-	
- Cash and cash equivalents at the end of the reporting period	-	

Comprehensive Income and Expenditure Statement

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

Gross expenditure	2017/18			2018/19		Net expenditure	Note
	Gross Income	Net expenditure		Gross expenditure	Gross Income		
£'000	£'000	£'000		£'000	£'000	£'000	
354,913	(39,891)	315,022	Operational policing services	361,412	(43,448)	317,964	
18,123	(18,581)	(458)	Other items not allocated to services	114,376	(15,026)	99,350	
373,036	(58,472)	314,564	Cost of Policing Services	475,788	(58,474)	417,314	10
			Other income and expenditure:-				
50,463	(50,463)	-	Other operating income and expenditure	56,620	(56,620)	-	4
88,000	-	88,000	Financing and investment income and expenditure	91,680	-	91,680	5
-	-	-	Taxation and non-specific grant income	-	-	-	
138,463	(50,463)	88,000	Total other (income)/expenditure	148,300	(56,620)	91,680	
		402,564	(Surplus) or Deficit on the Provision of Services before funding			508,994	
		(289,490)	Intra-group funding			(294,805)	
		113,074	(Surplus) or Deficit on the Provision of Services			214,189	
		31,190	Remeasurement of the net defined pension benefit liability/(asset)			3,303	
		31,190	Other Comprehensive (Income)/Expenditure			3,303	
		144,264	Total Comprehensive (Income)/Expenditure			217,492	

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1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Principally government grants and council tax precept) 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.

Expenditure and Funding Analysis - CC						
Net Expenditure chargeable to the General Fund Balance £'000	2017/18		Net expenditure in the CIES £'000	Net Expenditure chargeable to the General Fund Balance £'000	2018/19	
	Adjustments between accounting and funding basis £'000				Adjustments between accounting and funding basis (see note 2) £'000	Net expenditure in the CIES £'000
290,058	24,964	315,022	Operational policing services	292,145	25,819	317,964
(568)	110	(458)	Other items not allocated to services	2,660	96,690	99,350
289,490	25,074	314,564	Net cost of Policing Services	294,805	122,509	417,314
-	88,000	88,000	Other income and expenditure	-	91,680	91,680
289,490	113,074	402,564	(Surplus) or deficit on the provision of services	294,805	214,189	508,994
(289,490)	-	(289,490)	Intra-group funding	(294,805)	-	(294,805)
-	113,074	113,074	Net (Surplus)/deficit on the provision of services	-	214,189	214,189
-			Opening General Fund (including earmarked reserves) balance at 1 April	-		
-			Plus net (surplus)/deficit on the provision of services	-		
-			Closing General Fund (including earmarked reserves) balance at 31 March	-		

2 Adjustments between accounting and funding basis

2018/19	Adjustments for capital purposes	Net change for the pensions adjustments (note a)	Other adjustments (note b)	Total Adjustments
	£'000	£'000	£'000	£'000
Adjustments between accounting and funding basis analysis:-				
Operational policing services		25,730	89	25,819
Other items not allocated to services		96,690		96,690
Net cost of services	-	122,420	89	122,509
Other income and expenditure from the funding analysis		91,680		91,680
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	-	214,100	89	214,189

Note a) Adjustments for pensions:

Current service cost of funded local government pensions	70,030	70,030
Past service cost of pensions	96,690	96,690
Interest on net pension liability	91,680	91,680
Total transferred to Pension Reserve	258,400	258,400
Employer's contributions payable to the pension fund transferred from the Pension Reserve	(44,300)	(44,300)
Note a) Total	214,100	214,100

Note b) Other adjustments:

Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account	89	89
Amortisation of premiums and discounts on financial instruments transferred to the Financial Instruments Adjustment Account	-	-
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account	-	-
Note b) Total	89	89
Total adjustments		214,189
(note i) transfer from capital grants unapplied reserve		-
Total adjustments between accounting and funding basis under statute		214,189

Notes to the core financial statements

2017/18	Adjustments for capital purposes	Net change for the pensions adjustments (note a)	Other adjustments (note b)	Total Adjustments
	£'000	£'000	£'000	£'000
Adjustments between accounting and funding basis analysis:-				
Operational policing services	-	25,020	(56)	24,964
Other items not allocated to services	-	110	-	110
Net cost of services	-	25,130	(56)	25,074
Other income and expenditure from the funding analysis	-	88,000	-	88,000
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	-	113,130	(56)	113,074
Note a) Adjustments for pensions:				
Current service cost of funded local government pensions		69,480		69,480
Past service cost of funded local government pensions		110		110
Interest on net pension liability		88,000		88,000
Total transferred to Pension Reserve		157,590		157,590
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(44,460)		(44,460)
Note a) Total		113,130		113,130
Note b) Other adjustments:				
Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account			-56	-56
Amortisation of premiums and discounts on financial instruments transferred to the Financial Instruments Adjustment Account			-	-
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account			-	-
Note b) Total			-56	-56
Total adjustments				113,074
(note i) transfer from capital grants unapplied reserve				-
Total adjustments between accounting and funding basis under statute				113,074

3 Unusable Reserves

	31 March 2018 £'000	Movement £'000	31 March 2019 £'000	Note
Pensions Reserve	3,576,427	217,403	3,793,830	3a
Accumulated Absences Account	4,108	89	4,197	3b
	3,580,535	217,492	3,798,027	

3a Unusable Reserves – Pensions Reserve

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

2017/18 £'000		2018/19 £'000
3,432,107	Balance at start of year	3,576,427
31,190	Actuarial losses/(gains) on pensions assets and liabilities	3,400
157,590	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	258,303
(44,460)	Employer's pension contributions and direct payments to pensioners payable in the year	(44,300)
3,576,427	Balance at end of year	3,793,830

3b Unusable Reserves – Accumulated Absences Account

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

4 Other operating income/expenditure

2017/18 £'000		2018/19 £'000
(50,463)	Home Office Police Pension Fund Top-up Grant	(56,621)
50,463	Transfer of Home Office Grant to the Police Pension Fund	56,621
<u>-</u>		<u>-</u>

5 Financing and investment income and expenditure

2017/18 £'000		2018/19 £'000
88,000	Pensions interest cost and expected return on pension assets	91,680
<u>88,000</u>		<u>91,680</u>

6 Government Grants and Contributions

Government grants and third party contributions are recognised as income at the date that the Chief Constable satisfies the conditions of entitlement to the grant or contribution.

Grants and contributions which have outstanding conditions are carried in the Balance Sheet as creditors (receipts in advance). When conditions are satisfied, or where there are no conditions attached to the grant or contribution and there is reasonable assurance that the monies will be received and that the expenditure for which the grant has been given has been or will be incurred, the income is credited to the Comprehensive Income and Expenditure Statement as follows:

- To the relevant service for revenue grants and contributions and capital grants used to fund revenue expenditure funded by capital under statute
- To the Taxation and Non-Specific Grant Income section for non-ring-fenced revenue grants and contributions and all other capital grants and contributions.

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

Where revenue grants have been credited to the Comprehensive Income and Expenditure Statement but are yet to be used, they are transferred to an earmarked reserve in the Movement in Reserves Statement. Once used in subsequent years, they are transferred to the General Fund to fund the revenue expenditure.

Notes to the core financial statements

Grant Income – Group

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

2017/18 PCC £'000	2017/18 CC £'000		2018/19 PCC £'000	2018/19 CC £'000
Credited to Taxation and Non-Specific Grant Income				
(112,010)	-	Council Tax Precept	(121,710)	-
(62,255)	-	Formula funding	(62,255)	-
(118,336)	-	Police Grant	(118,401)	-
(12,944)	-	Council tax legacy grant	(12,944)	-
(1,159)	-	Government Grant to Finance Capital Expenditure	(1,159)	-
(306,704)	-	Total	(316,469)	-
Credited to Services				
-	(2,421)	Dedicated Security Posts grant	-	(2,017)
-	(2,477)	Home Office grants to ACPO Criminal Records Office	-	(554)
-	(360)	Contributions to National Wildlife Crime Unit (ACRO)	-	(496)
(2,338)	-	Restorative Justice/Victims Support grant	(2,289)	-
-	-	Disclosure and Barring Service funding	-	-
-	(414)	Contributions to National Police Freedom of Information and Data Protection Unit (ACRO - formerly FOI Central Referral Unit)	-	(415)
-	(71)	Home Office Prevent grant	-	(120)
-	(22)	NHS Medical in custody grant	-	(220)
-	(122)	Superintendent Direct Entry Grant	-	-
-	-	Home Office grant for emergency services mobile communications programme (ESMCP)	-	-
-	(512)	Innovation Fund	-	(406)
-	(65)	Local Criminal Justice Board funding	-	(44)
-	-	Cyber Crime Grant	-	(253)
-	(803)	Miscellaneous grants	-	(1,122)
(2,338)	(7,267)	Total	(2,289)	(5,647)

Notes to the core financial statements

2017/18 £'000		2018/19 £'000
	Credited to Taxation and Non-Specific Grant Income	
(112,010)	Council Tax Precept	(121,710)
(62,255)	Formula funding	(62,255)
(118,336)	Police Grant	(118,401)
(12,944)	Council tax legacy grant	(12,944)
(1,159)	Government Grant to Finance Capital Expenditure	(1,159)
	Other capital contributions	(10,213)
(306,704)	Total	(326,682)
	Credited to Services	
2017/18 £'000		2018/19 £'000
(2,421)	Dedicated Security Posts grant	(2,017)
(2,477)	Home Office grants to ACPO Criminal Records Office	(554)
(360)	Contributions to National Wildlife Crime Unit (ACRO)	(496)
(2,338)	Restorative Justice/Victims Support grant	(2,289)
	- Disclosure and Barring Service funding	-
	Contributions to National Police Freedom of Information and Data	
(414)	Protection Unit (ACRO - formerly FOI Central Referral Unit)	(415)
(71)	Home Office Prevent grant	(120)
(22)	NHS Medical in custody grant	(220)
(122)	Superintendent Direct Entry Grant	
	Home Office grant for emergency services mobile communications	
	- programme (ESMCP)	-
(512)	Innovation Fund	(406)
(65)	Local Criminal Justice Board funding	(44)
	Cybercrime Grant	(253)
(803)	Miscellaneous grants	(1,122)
(9,605)	Total	(7,936)

7 Officer and Staff Remuneration

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.

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

The Accounts and Audit Regulations 2015 require the Chief Constable to report on the number of employees who received remuneration totalling more than £50,000 in the year, grouped in £5,000 bands. The 2015 regulations define senior police officers for these purposes as being those with the rank of superintendent or above

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 numbers also include people who are seconded to national roles but whose costs are reimbursed.

Remuneration Band	2017/18	2018/19
	Number of employees	Number of employees
£50,000 - £54,999	206	263
£55,000 - £59,999	156	158
£60,000 - £64,999	37	66
£65,000 - £69,999	12	17
£70,000 - £74,999	12	7
£75,000 - £79,999	6	8
£80,000 - £84,999	7	13
£85,000 - £89,999	4	5
£90,000 - £94,999	1	4
£95,000 - £99,999	-	2
£100,000 - £104,999		
£105,000 - £109,999	-	1
£110,000 - £114,999		-
£115,000 - £119,999		-
£120,000 - £124,999		-
£135,000 - £139,999		-
£190,000 - £194,999	-	-
Totals	441	544

Remuneration for relevant police officers and senior employees

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

The table below provides the relevant disclosure for 2018/19 and comparative information for 2017/18 is provided in the second table. Where there have been changes in personnel during the current and prior year the part year remuneration is shown on an individual basis over more than one line. This will mean that certain posts are not comparable.

Notes to the core financial statements

2018/19 Disclosure

Post holder information

	Salary, fees and allowances	Bonuses	Expenses Allowance	Compensation for loss of employment	Benefits in Kind	Other payments (Police officers only)	Employer's Pension contributions	Total Remuneration including pensions contributions	Note
	£	£	£	£	£	£	£	£	
Constabulary									
Chief Constable - 1/4/2018 - 31/3/2019 Olivia Pinkney	193,606	-	-	-	-	-	36,302	229,908	
Deputy Chief Constable - 1/4/2018 - 31/3/2019	137,550	-	900	-	3,511	-	28,818	170,779	
Acting Assistant Chief Constable - Local Policing - 1/4/2018 - 5/7/2018	30,715	-	-	-	-	-	4,608	35,323	
Assistant Chief Constable - Local Policing - 1/4/2018 - 31/3/2019	112,887	-	996	-	4,903	-	23,086	141,872	
Assistant Chief Constable - Crime & Criminal Justice - 1/4/2018- 31/3/2019	112,621	-	-	-	2,980	-	22,683	138,284	
Assistant Chief Constable - Joint Operations - 1/4/2018 - 31/3/2019	118,518	-	-	-	1,561	-	24,682	144,761	1
	705,897	-	1,896	-	12,955	-	140,179	860,927	

Note 1: The Chief Finance Officer for Hampshire Constabulary is employed by Hampshire County Council as part of the shared services arrangement. The Officer providing this function is included within the remuneration details 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 £113,865 (This figure includes all Employer Oncosts).

Notes to the core financial statements

2017/18 Disclosure Post holder information

	Salary, fees and allowances £	Bonuses £	Expenses Allowance £	Compensation for loss of employment £	Benefits in Kind £	Other payments (Police officers only) £	Employer's Pension contributions £	Total Remuneration including pensions contributions £	Note
Constabulary									
Chief Constable - 1/4/2017 - 31/3/2018 Olivia Pinkney	166,537	-	-	-	850	-	34,356	201,743	
Deputy Chief Constable - 1/4/2017 - 31/3/2018	135,437	-	-	-	4,093	-	28,369	167,899	
Acting Assistant Chief Constable - Local Policing - 1/4/2017 - 1/6/2017	8,492	-	-	-	195	-	1,505	10,192	
Assistant Chief Constable - Local Policing - 19/4/2017 - 31/3/2018	104,040	-	-	-	5,607	-	21,201	130,848	
Acting Assistant Chief Constable - Crime & Criminal Justice - 1/4/2017 - 31/3/2018	96,567	-	-	-	1,239	-	20,317	118,123	
Assistant Chief Constable - Joint Operations - 1/4/2017 - 31/3/2018	106,200	-	-	-	1,595	-	22,058	129,853	
	617,273	-	-	-	13,579	-	127,806	758,658	1

Note 1: The Chief Finance Officer for Hampshire Constabulary is employed by Hampshire County Council as part of the joint working 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 £107,469 (This figure includes all Employer Oncosts)

8 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.

Exit Packages in Bands of £20,000

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	-	-	3	20	3	20	40	164
£20,001 - £40,000	-	-	2	-	2	-	56	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
Totals	-	-	5	20	5	20	96	164

In addition to the payments made to staff leaving the organisation, the Chief Constable also made payments to the Local Government Pension 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 £66k in 2018/19 (£84k in 2017/18).

9 External audit costs

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

2017/18 £'000		2018/19 £'000
	Chief Constable:	
19	Fees payable to EY with regard to external audit services carried out by the appointed auditor for the year	14
	- Other services provided by EY	-
19		14

10 Nature of expenses

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

2017/18 Expenditure in the CIES £'000		2018/19 Expenditure in the CIES £'000
285,692	Employee Benefit Expenses	382,290
87,344	Other Service Expenses	93,498
373,036	Total Expenditure	475,788
(35,657)	Grants, contributions and reimbursements	(34,300)
(22,815)	Fees, charges and other service income	(24,174)
(58,472)	Total Income	(58,474)
314,564	Net Cost of Services	417,314

- a) 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.
- b) 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).

11 Income received from external customers

<u>2017/18</u> <u>£'000</u>	<u>2018/19</u> <u>£'000</u>
(22,815) Operational policing services	(24,174)
<u>(22,815)</u> Total income from external customers analysed by service	<u>(24,174)</u>

12 Related Parties

The Commissioner, the Chief Constable and the Group are required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by the Chief Constable. Disclosure of these transactions allows readers of the accounts to assess the extent to which the Chief Constable 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 Chief Constable. 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 6.

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 £26.0m to the Police Pension Fund as contributions in respect of existing officers and those retiring due to ill-health in the year (£28.1m in 2017/18). The Local Government Pension Scheme is administered by Hampshire County Council and the Chief Constable made employer's contributions of £15.8m in 2018/19 (£14.5m in 2017/18).

The Chief Finance Officer (CFO) to the Chief Constable is employed by Hampshire County Council. The governance arrangements of the Chief Constable and the independence and professional status of the CFO, ensure that this relationship is not compromised.

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 2018/19 (none in 2017/18).

Notes to the core financial statements

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	Hampshire County Council (HCC), Hampshire Fire and Rescue Services (HFRS)	HCC	6.3
Joint ICT/Information Management Department	Thames Valley Police (TVP)	TVP	18.6
South East Organised Regional Organised Crime Unit (SEROCU)	South East Region Forces (TVP, Surrey, Sussex)	TVP	3.0
Joint Operations Unit	Thames Valley Police (TVP)	TVP	23.4

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.

13 IAS19 (Pensions Accounting) entries and disclosures

Participation in pension schemes

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

The Chief Constable participates in three post employment schemes:

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

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

Transactions relating to retirement benefits

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

Notes to the core financial statements

	Unfunded Police Pension Schemes		LGPS (Police Staff)	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	48,810	48,840	19,280	19,790
- Past service costs	-	88,820	110	7,870
- (Gain)/loss from settlements	-	-	-	-
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	82,500	85,890	4,010	4,250
Total Charge to the Surplus or Deficit on the Provision of Services	131,310	223,550	23,400	31,910
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	-	-	(920)	(21,180)
- Actuarial (Gains)/Losses arising:-				
- from changes in financial assumptions	12,690	148,660	(10)	21,940
- from changes in demographic assumptions	-	(132,430)	-	(20,910)
- from changes in actuarial experience	16,030	4,920	1,880	800
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	160,030	244,700	24,350	12,560
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(131,310)	(223,550)	(23,400)	(31,910)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions to the scheme	27,800	26,010	14,490	15,750
Benefits paid direct to beneficiaries	-	-	-	-
Charge on General Fund	27,800	26,010	14,490	15,750

[table continues on the next page]

Notes to the core financial statements

	Injury Pensions (police officers)		All schemes - Summary	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	1,390	1,400	69,480	70,030
- Past service cost	-	-	110	96,690
- (Gain)/loss from settlements	-	-	-	-
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	1,490	1,540	88,000	91,680
Total Charge to the Surplus or Deficit on the Provision of Services	2,880	2,940	157,590	258,400
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
- Return on plan assets	-	-	(920)	(21,180)
- Actuarial (Gains)/Losses arising:-				
- from changes in financial assumptions	1,190	3,740	13,870	174,340
- from changes in demographic assumptions	-	(2,240)	-	(155,580)
- from changes in actuarial experience	330	100	18,240	5,820
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	4,400	4,540	188,780	261,800
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(2,880)	(2,940)	(157,590)	(258,400)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions payable to the scheme	-	-	42,290	41,760
Benefits paid direct to beneficiaries	2,170	2,540	2,170	2,540
Charge on General Fund	2,170	2,540	44,460	44,300

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

Pensions assets and liabilities recognised in the Balance Sheet

The nature of the schemes is explained in note 13 to these accounts 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 2019.

The nature of the three police pension schemes in operation is explained in note to these accounts. 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		Injury Pensions (police officers)	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£m	£m	£m	£m
Present value of the defined benefit obligation	3,344.44	3,563.13	60.55	62.55
Fair value of plan assets	-	-	-	-
Net liability arising from the defined benefit obligation	3,344.44	3,563.13	60.55	62.55
	Local Govt Pension Scheme		Total	
Value at year ending	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£m	£m	£m	£m
Present value of the defined benefit obligation	462.08	499.14	3,867.07	4,124.82
Fair value of plan assets	(290.74)	(330.99)	(290.74)	(330.99)
Net liability arising from the defined benefit obligation	171.34	168.15	3,576.33	3,793.83

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

	Unfunded Police Pension Schemes		Local Govt Pension Scheme	
	2017/18 £m	2018/19 £m	2017/18 £m	2018/19 £m
Opening fair value of assets	-	-	271	291
Interest income	-	-	7	8
Remeasurement gains and (losses):-				
- the return on plan assets (excluding the amount included in the net interest expense)	51	56	1	21
- other	-	-	-	-
Employer contributions	28	26	14	16
Contributions by scheme participants	14	14	4	4
Settlements	-	-	-	-
Benefits Paid	(93)	(96)	(7)	(9)
Closing fair value of assets	-	-	291	331

	Injury Pensions (police officers)	
	2017/18 £m	2018/19 £m
Opening fair value of assets	-	-
Interest income	-	-
Remeasurement gains and (losses):-		
- the return on plan assets (excluding the amount included in the net interest expense)	-	-
Employer contributions	2	3
Contributions by scheme participants	-	-
Settlements	-	-
Benefits Paid	(2)	(3)
Closing fair value of assets	-	-

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

	Unfunded Police Pension Schemes		Local Govt Pension Scheme	
	2017/18 £m	2018/19 £m	2017/18 £m	2018/19 £m
Opening Balance - 1 April	(3,212)	(3,344)	(432)	(462)
Current Service Cost	(49)	(49)	(19)	(20)
Interest Cost	(83)	(86)	(11)	(12)
Contributions from scheme participants	(14)	(14)	(4)	(4)
Remeasurement (gains) and losses: Actuarial gains and (losses) arising:-				
- from changes in actuarial experience	(16)	(205)	(2)	(22)
- from changes in demographic assumptions	-	132	-	21
- from changes in financial assumptions	(64)	(5)	-	(1)
Liabilities extinguished on settlements	-	-	-	-
Benefits Paid	93	96	7	9
Past service costs	-	(89)	-	(8)
Closing balance - 31 March	(3,345)	(3,564)	(462)	(499)
	Injury Pensions (police officers)		Total	
	2017/18 £m	2018/19 £m	2017/18 £m	2018/19 £m
Opening Balance - 1 April	(58)	(61)	(3,703)	(3,867)
Current Service Cost	(1)	(1)	(69)	(70)
Interest Cost	(1)	(2)	(95)	(100)
Contributions from scheme participants	-	-	(18)	(18)
Remeasurement (gains) and losses: Actuarial gains and (losses) arising:-				
- from changes in actuarial experience	-	(4)	(18)	(231)
- from changes in demographic assumptions	-	2	-	155
- from changes in financial assumptions	(1)	-	(65)	(6)
Liabilities extinguished on settlements	-	-	-	-
Benefits Paid	2	3	102	108
Past service costs	-	-	-	(97)
Closing balance - 31 March	(59)	(63)	(3,867)	(4,126)

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 2020 are £17.1m. In addition, Strain on Fund Contributions may be required.

Total expected contributions for the Police Pension Schemes are £78.78m. 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 £2.4m 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 2019.

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:

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 2019 and the projected service cost for the year ending 31 March 2020 is set out below:-

Baseline:-

Police Schemes

Present Value of total obligation (excluding injury benefits) @ 31 March 2019 = £3,506.19M

Projected Service cost 2019/20 = £53.95M

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31 March 2019 = £491.28M

Projected Service cost 2019/20 = £20.59M

	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)	487.04	510.87	3,490.47	3,637.41
* % change in present value of total obligations	-2.4%	2.4%	-2.0%	2.1%
* Projected service cost (£M)	19.89	21.31	51.73	56.25
* % change in projected service cost	-3.4%	3.5%	-4.1%	4.3%
Rate of general increase in salaries				
* Present value of total obligations (£M)	501.51	496.14	3,580.18	3,546.29
* % change in present value of total obligations	0.5%	-0.5%	0.5%	-0.5%
* Projected service cost (£M)	20.59	20.59	54.20	53.70
* % change in projected service cost	0.0%	0.0%	0.5%	-0.5%
Rate of increase to pensions in payment and deferred pensions				
* Present value of total obligations (£M)	508.14	489.67	3,620.18	3,507.04
* % change in present value of total obligations	1.9%	-1.8%	1.6%	-1.6%
* Projected service cost (£M)	21.31	19.89	55.97	51.98
* % change in projected service cost	3.5%	-3.4%	3.7%	-3.7%
Adjustment to mortality age rating assumption				
	-1 year	+1 year	-1 year	+1 year
* Present value of total obligations (£M)	514.20	483.50	3,676.22	3,450.86
* % change in present value of total obligations	3.1%	-3.1%	3.2%	-3.2%
* Projected service cost (£M)	21.37	19.82	56.11	51.80
* % change in projected service cost	3.8%	-3.7%	4.0%	-4.0%

Notes to the core financial statements

The Police Pension Schemes have no assets to cover liabilities. The LGPS assets consist of the following categories, by proportion of the total assets held:

Quoted at 31 March 2017	Unquoted at 31 March 2017		Quoted at 31 March 2018	Unquoted at 31 March 2018
56.8%	3.5%	Equities	58.5%	4.1%
0.5%	6.0%	Property	0.7%	6.3%
25.0%	0.2%	Government bonds	23.5%	0.2%
1.4%	0.0%	Corporate bonds	1.0%	0.0%
3.4%	0.0%	Cash	2.6%	0.0%
0.0%	3.2%	Other (e.g. Hedge funds, currency holdings)	0.2%	2.9%
87.1%	12.9%	Total	86.5%	13.5%

14 Contingent liabilities

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

At the balance sheet date there were a number of 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 they were to be settled all in the same year, insurance cover is in place to meet the costs of aggregate claims over a certain level; below this level (which is a combined £1.63m across the major categories of insurance) existing budgets or, exceptionally, the insurance reserve will cover the shortfall. However, it is considered extremely unlikely that all outstanding claims will be found against the Chief Constable and would, additionally, be settled in the same year.

The Chief Constable, along with other Chief Constables and the Home Office, currently has 9 claims lodged against them 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.

Potentially other claims may be lodged in the future following judgements made in other parts of the country, including the calculation of overtime payments that may be due to officers who historically managed intelligence sources

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 remained at £1.47m (from £1.47m at 31 March 2018).

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. None have been identified.

15 Events after the reporting period

On 27 June 2019, the Supreme Court denied the Government's request to appeal the McCloud/Sargeant judgment that the transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. The Government has stated its intention to engage fully with the Employment Tribunal to agree how the discrimination will be remedied for all the main public service pension schemes. The assumptions of the Government Actuary Department (GAD), have been used to update the past service cost in the Comprehensive Income and Expenditure Statement and the net pension liability on the balance sheet. This is offset by the same adjustment in the Pension Reserve.

16 Notes to the cash flow statement

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

2017/18 £'000		2018/19 £'000	Note
113,074	Net (surplus) or deficit on the provision of services	214,189	CIES
(113,074)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(214,189)	16
-	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-	
- Net cash flows from Operating Activities		-	
- Investing Activities		-	
- Financing Activities		-	
- Net (increase) or decrease in cash and cash equivalents		-	
- Cash and cash equivalents at the beginning of the reporting period		-	
- Cash and cash equivalents at the end of the reporting period		-	

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

2017/18 £'000		2018/19 £'000
(113,074)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(214,189)
Analysis:-		
(113,130)	- Pensions	(214,100)
56	- (Increase)/Decrease in Creditors	(89)
(113,074)		(214,189)

17 Statement of Accounting Policies and Estimation Techniques

17.1 General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2018). This code is recognised by statute as representing proper accounting practices. Any significant non-compliance is explained in the following notes. The accounts have been compiled by applying the most appropriate policies and estimation techniques, taking into account the accounting concepts of qualitative characteristics of financial information (i.e. relevance, reliability, comparability and understandability), materiality and the pervasive accounting concepts (i.e. accruals, going concern and primacy of legislative requirements). All material income and expenditure including receipts, grants and employee costs have been accrued to the financial year to which they relate.

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

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

17.2 Accruals of Income and Expenditure

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

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

- 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 £10,000 are not routinely accrued at year end even if they meet the other conditions. This is due to the fact that they are not material in the scale of the Chief Constable's overall income and expenditure. Where items of income or expenditure fall below this amount they may still be accrued in certain circumstances such as where they are subject to specific terms and conditions relating to a grant or where there is an element of cost recovery. Items of a similar nature which are individually below this £10,000 threshold may be aggregated if they could be said to have a similar material effect upon the reporting of a particular income, or expenditure head or cost centre.

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

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

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

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

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

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

17.4 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.

17.5 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.

18 Critical Judgements in Applying Accounting Policies

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

- The Chief Constable is 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 post holder, he cannot remove the role itself;
- 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 2018/19 Statement of Accounts:-

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

Consideration	Accounting determination		Reasoning
	PCC	CC	
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).

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

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

The items in the Chief Constable’s Balance Sheet at 31 March 2019 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.	<p>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 2.0% and a decrease in the Local Government Pension Scheme liabilities of 2.4%.</p> <p>However, the assumptions interact in complex ways. More details are provided in the IAS19 disclosures at note 13.</p>

20 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.

The additional disclosures that will be required in the 2019/20 financial statements in respect of accounting changes introduced in the 2019/20 Code are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property – This sets out further details about when property can be classified as investment property. The impact is not expected to be material.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration – This specifies how payments in foreign currencies made in advance of receiving goods or services should be accounted for. The impact is not expected to be material.
- IFRIC 23 Uncertainty over Income Tax Treatments – This guides how income tax should be accounted for in situations of uncertainty. The impact is not expected to be material.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation – This clarifies that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The impact is not expected to be material.
- The Annual Improvements to IFRS Standards 2014 - 2016 Cycle also introduces two changes, which are not expected to be material:
 - IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard
 - IAS 28 Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value

Police Pension Fund Account

2017/18 Police Pension Fund Account		2018/19
£'000	Contributions receivable	£'000
(24,722)	- from employer	(24,123)
	- normal	
	- early retirements	
(2,898)	- ill-health capital equivalent charges	(1,677)
(13,936)	- from members	(13,535)
	Transfers in	
(1,314)	- individual transfers in from other schemes	(234)
	Benefits payable	
75,062	- pensions	79,147
17,925	- commutations and lump sum retirement benefits	16,897
282	- lump sum death benefits	99
	Payments to and on account of leavers	
25	- refunds of contributions	37
39	- individual transfers out to other schemes	10
50,463	Net amount payable for the year	56,621
(50,463)	Additional contribution from the Commissioner	(56,621)
-		-
	2017/18 Net Assets Statement	2018/19
£'000		£'000
	Current Assets	
-	- contributions due from employer	-
6,449	- pensions paid to pensioners in advance	-
	Current Liabilities	
-	- unpaid pension benefits	-
(6,449)	- amount due to sponsoring department	-
	- other current liabilities	
-		-

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 £2.54m in 2018/19. For officers who retire on the grounds of ill-health, the employer makes a contribution from the Comprehensive Income and Expenditure Account to the Police Pension Fund Account. This charge is the equivalent to two years' pensionable pay and is a one off credit to the account. All on-going payments are met by the Police Pension Fund.

Debtors and creditors of the Police Pension Fund Account are included within the main financial statements of the Commissioner as a result of the reimbursement of the top up

Police Pension Fund Account

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 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 Chief Constable or who have previously worked for the Chief Constable 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 2018/19, 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 17.

Note 13 shows further detail of the IAS19 entries and the pension schemes.

Annual Governance Statement for Hampshire Constabulary

1. Scope of Responsibility

- 1.1 Hampshire Constabulary is responsible for ensuring that:
- its business is conducted in accordance with the law and to proper standards.
 - public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
 - it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy.
 - there is a sound system of internal control which facilitates the effective exercise of the Constabulary's functions and which include arrangements for the management of risk.
- 1.2 This Statement explains how the Constabulary has complied with the Code and meets with the requirements of the Accounts and Audit (England) Regulations in relation to the publication of an Annual Governance Statement.

2. The purpose of Corporate Governance

- 2.1 The governance framework comprises the systems, processes, cultures and values by which the Constabulary is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Constabulary to monitor the achievements of the Constabulary's strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Constabulary's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Hampshire Constabulary for the year ending 31 March 2019 and up to the date of approval of the annual report and the statement of accounts.
- 2.4 The Constabulary has approved and adopted a Scheme of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The Scheme of Corporate Governance is reviewed at the Joint Audit Committee. Agendas and minutes of the Joint Audit Committee are published on the website.
- 2.5 The CIPFA/SOLACE framework identifies seven principles of good governance:
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social and environmental benefits

- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

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

3. Core Principles of good governance

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

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

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

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

3.1.4 The key governance legal powers and responsibilities within the Constabulary are set out in legislation and statutory guidance (especially the Police Reform and Social Responsibility Act 2011, Policing Protocol Order 2011, Revised Financial Management Code of Practice 2018 and Strategic Policing Requirement 2015), the Scheme of Delegation, Financial Regulations and Contract Standing Orders. These are referenced in the Scheme of Corporate Governance.

3.2 Ensuring openness and comprehensive stakeholder engagement.

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



3.2.2 The Constabulary has a clear governance framework for corporate decision making. Operational decision making is covered by standard practices and the use of decision logs. Corporate decisions are made at minuted meetings. It should be noted that some decisions that affect the Constabulary are made by the Police and Crime Commissioner. Police and Crime Commissioner decisions have clear guidance and protocols on decision making and templates for decision reports. All decisions are published, albeit that consideration is given to redacting some elements where this is necessary and proportionate.

3.2.3 Public consultation to inform decision making is undertaken where warranted. The Constabulary has access to consultation undertaken by the Police and Crime Commissioner as well as systematic data gathered from surveying of victims and the wider public. Other consultation is undertaken such as via the Joint Audit Committee, Independent Advisory Group, Ethics Committee and local consultations.

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

3.3.1 The strategic aims set out in the purpose and six key areas of focus underpin the Constabulary’s overarching ambitions for delivering positive economic, social and environmental outcomes under the purpose of ensuring Safer Communities for Hampshire and the Isle of Wight. The Constabulary must also have regard to the Police and Crime Plan which also sets out the Police and Crime Commissioner’s vision, priorities and mission. The operational delivery against the Safer Purpose and Six areas of focus is tracked through the Force Performance Board held by the Deputy Chief Constable and the Police and Crime Commissioner holds the Chief Constable to account on a regular basis for the exercise of the functions of the Chief Constable and the functions of people under the direction and control of the Chief

Constable (section 1.7, PRSRA 2011). The Chief Constable maintains operational independence.

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

- 3.4.1 Clear guidance and protocols exist for decision making and the involvement of legal and finance officers in all significant decisions of the Constabulary ensures that decisions are only made after relevant options have been weighed and associated risks assessed. Details of the guidance and protocols are set out in the Scheme of Corporate Governance.
- 3.4.2 Equality Impact Assessments (EIAs) are used to assess the impact of significant proposals and to inform decision making.
- 3.4.3 The budget setting process is well established and ultimately the budget is set by the Police and Crime Commissioner after proposals on the council tax precept are consulted upon with the public and scrutinised in public by the Police and Crime Panel. The budget is set in the context of achieving the Police and Crime Plan and the purpose of the Constabulary.
- 3.4.4 A medium term financial strategy, capital programme and reserves strategy is updated each year together with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic and economic factors that impact on the financial environment in which the Constabulary operates.
- 3.4.5 Risks associated with the achievement of intended outcomes are detailed in Risk Registers held at strategic corporate, portfolio and project level. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation.

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

- 3.5.1 The Constabulary places a significant value of the capability of leadership. Courses are run in-house and available externally, for example via the College of Policing. Each individual has a Personal Development Review on a regular basis with their line manager to ensure that any skill gaps are addressed and to discuss opportunities for development.
- 3.5.2 The Constabulary regularly reviews the shape of its workforce against the needs of the service in the context of its capacity and capability requirements. This then informs a range of strategies, for example; recruitment, retention and people development in order to provide effective leadership and deploy appropriate resources to meet the needs of services.
- 3.5.3 There is an emphasis on the need for high performance, of which resilience and continuous development play key parts, both of which factor in the regular discussions between managers and staff.

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

- 3.6.1 The Constabulary operates a robust Risk Management Strategy, with oversight of those arrangements provided by the Risk and Learning Board and reports to the Joint Audit Committee. The Joint Audit Committee has provided significant guidance and advice for the enhancement of the risk management arrangements.

- 3.6.2 Each part of the Constabulary has its own Board to identify and manage risks within their part of the organisation and escalate those to the strategic risk register for consideration at the Risk and Learning Board where they meet the threshold.
 - 3.6.3 An Information Governance Board is in place that is chaired by the Senior Information Risk Officer and reports into the Risk and Learning Board.
 - 3.6.4 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources.
 - 3.6.5 The Internal Audit Plan was developed to operate at a strategic level providing a value adding, and proportionate, level of assurance aligned to the Constabulary's key risks and objectives. This includes a periodic review of the Constabulary's risk management processes.
 - 3.6.6 The Audit Plan remains fluid to ensure Internal Audit's ability to react to the changing needs of the Constabulary.
 - 3.6.7 The Internal Audit Plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an embedded Counter Fraud & Corruption Strategy and Policy and Anti Bribery Act Policy.
 - 3.6.8 The delivery of the Internal Audit Plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to the Joint Audit Committee, Police and Crime Commissioner and Chief Constable.
 - 3.6.9 The Joint Audit Committee is well established and provides independent advice to the Chief Constable and 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.
 - 3.6.10 The Joint Audit Committee has a clear 'Terms of Reference' providing an effective source of scrutiny, challenge and assurance regarding the arrangements for managing risk and maintaining an effective control environment.
 - 3.6.11 The Constabulary has a well-developed and effective scrutiny function via the Police and Crime Commissioner.
 - 3.6.12 The Constabulary has strong financial management arrangements at both the strategic and operational level and consistently obtains unqualified opinions for its annual accounts and value for money assessment. The Section 151 Officer is a member of the Chief Officers Group and Force Executive. All formal financial decision making has the benefit of the advice and review of the Chief Financial Officer or their representative.
 - 3.6.13 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.
 - 3.6.14 Financial management in key risk areas across the Constabulary focusses on activity and performance management alongside the budget management processes and the financial management framework throughout all tiers of the organisation is appropriately advised and supported by the Finance function.
- 3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.**

- 3.7.1 The decision making guidance, protocols and templates referred to in the Scheme of Corporate Governance and the involvement of senior officers, legal officers and finance officers ensures that public reports are written in a clear and accessible way with sufficient information to enable members of the public to formulate informed opinions on the matters for decision.
- 3.7.2 The corporate Force Performance Group framework provides a transparent cycle of reporting on core performance metrics. Performance information is published online and is easily accessible to staff, partners and the public.
- 3.7.3 The 'Internal Audit Charter' is presented annually for review 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.
- 3.7.6 The Internal Audit Plan includes provision to review the Constabulary's approach to governance, risk and controls for partnership working. Such reviews are formally reported through the Joint Audit Committee with any significant issues highlighted accordingly.
- 3.7.7 Where appropriate Internal Audit will gain assurances from third parties to contribute to their overall assurance opinion.

4 Obtain assurances on the effectiveness of key controls

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

4.4 In conjunction with specialist Internal Audit support, the Constabulary has also applied the CIPFA Counter Fraud self-assessment tool to identify potential opportunities for enhancement.

5 Evaluate assurances and identify gaps in control/assurance

5.1 The Constabulary has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify weaknesses in controls.

5.2 Reports on collaborated functions are received from the host force. Reports in relation to IT and Information Management are received from the Thames Valley Police internal auditor. These are reported to the Joint Audit Committee and incorporated by the Chief Internal Auditor into the annual internal audit opinion. Queries and concerns will normally be resolved during the course of the Joint Audit Committee through the attendance of the Thames Valley Police internal auditor. If there are any outstanding queries, the Police and Crime Commissioner and Chief Constable can raise those through the Collaboration Board.

5.3 Each board within the Constabulary has assessed risk and reported significant risks via the governance framework for inclusion within the Strategic Risk Register. The Internal Audit Plan and reports have assisted the assessment of risk in business areas that are higher risk.

5.4 The Constabulary has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the officers within the Constabulary who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

5.5 The Chief Internal Auditor has evaluated the reports from the internal and external assurance providers which have also been reported to the Joint Audit Committee. This Annual Governance Statement sets out the Constabulary's arrangements for receiving reports and identifying weaknesses in internal control.

5.6 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 challenging financial climate presents a risk that demand cannot be met and that further savings will be required in the future to balance the budget. Work has already begun, within the Force Development Programme, on efficiency initiatives that will deliver cost reductions without adversely impacting upon effectiveness.

6.2 Summer resourcing remains an annual risk. The Constabulary faces increases in demand in the summer which is more challenging to respond to with the reduced resources available. A gold group was set up to consider how resource can be best used through this period to meet the demand and how demand may be reduced. Liaison with public event organisers has resulted in a planned reduced police presence at some events and greater use of the Special Constabulary is planned to assist but internal resources will still need to be redistributed to best meet the forecast demand. Timelines for internal activity are arranged around the peak

demand periods, for example, less training provided in the summer. This is made possible by the central resource management now in place. These tactics were successful in 2017 and 2018.

- 6.3 The Constabulary has undertaken and will continue to undertake comprehensive demand mapping and forecasting to assess the current and future delivery and skills gaps. An updated People Strategy will identify the skill sets required to deliver performance now and in the future and put in place a programme of work to recruit and train personnel in the required roles and with the required skill sets. This is fully integrated to the change programmes and medium term financial strategy to ensure that the plans are deliverable, affordable and sustainable.

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 2017/18 Annual Governance Statement:

- 7.1 Sufficient funding and savings were delivered in 2018/19 to balance the budget without causing significant additional risk to performance. Further work will continue to balance budgets going forward.
- 7.2 The summer resourcing plans were successful for 2017 and 2018. This is an annual issue so control measures will be required again in 2019 to meet the demand.
- 7.3 The Constabulary has developed greater capacity for demand forecasting. Short term demand forecasting is acknowledged as good by HMICFRS but more work needs to be done to better forecast demand for the medium term.
- 7.4 The Constabulary has a suite of policies and procedures that set out more detailed requirements. Updated corporate support policies and procedures became available via new webpages when the 'role of the manager' changes were implemented.
- 7.5 The Joint Audit Committee's terms of reference and arrangements for review of effectiveness were agreed.

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: Olivia Pinkney

Signed: Richard Croucher CPFA

Chief Constable
Date: 23 July 2019

Chief Finance Officer
Date: 23 July 2019

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF HAMPSHIRE

Opinion

We have audited the financial statements of the Chief Constable of Hampshire for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Hampshire Movement in Reserves Statement;
- Chief Constable of Hampshire Comprehensive Income and Expenditure Statement;
- Chief Constable of Hampshire Balance Sheet;
- Chief Constable of Hampshire Cash Flow Statement;
- the related notes 1 to 20; and
- Chief Constable of Hampshire Pension Fund Account.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Hampshire as at 31 March 2019 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 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Chief Constable for Hampshire in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to

continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Chief Constable for Hampshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- 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

Responsibilities of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 14, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

.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 (C&AG) in November 2017, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Independent Auditors Report

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

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

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

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Chief Constable of Hampshire's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

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

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
25 July 2019

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Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Agency Services

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

Amortisation

The process of writing down the cost of an asset or liability through depreciation or repayment of principle over a suitable period of time.

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Chief Financial Officer (CFO)

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

Collection Fund Adjustment Account

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

Credit Arrangements

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

Creditors

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

Current service costs

The increase in the present value of pension liabilities expected to arise from employee service in the current period.

Debtors

Individuals or organisations who owe the Chief Constable money.

Depreciation

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

Expected loss allowance

Some debts are unlikely to be recovered because something has happened since the debt was raised. An assessment of the reduction in recoverable debt is made both individually (for individually significant debts) and collectively.

Fair value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments Adjustment Account

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

Financial Year

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

Fixed Assets

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

Government Grants

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

Minimum Revenue Provision (MRP)

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

Past service cost

The increase in the present value of pension liabilities related to employee service from prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept

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

Revaluation Reserve

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

Revenue Contributions to Capital Outlay (RCCO)

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

Revenue Expenditure

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

Reserves

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